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Canada. Royal commission on banking and finance.
Hearings, v. 1-3. Briefs, v. 1A-3A. 1952

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Royal Commission on Banking and Finance

Hearings
held at

Victoria

Vol.

1

Date.

March 12, 1962



Official Reporters
F. J. Nethercut and R. J. Young
Toronto, Ont.



Nethercut & Young

Toronto, Ontario

Victoria, B.C.
Monday, March 12, 1962

--- On commencing at 9.15 A.M.

ROYAL COMMISSION ON BANKING
AND FINANCE

the first meeting of the Royal Commission on
Banking and Finance. ----- Secretary, I believe

you have the original Commission

Hearings held at Victoria,

B.C., on Monday,
March 12th, 1962.

would like to table as Exhibit No. 1 the Commission,

under seal appointing ----- Commission.

THE CHAIRMAN, Exhibit No. 1.

THE COMMISSION

EXHIBIT NO. 1: The Commission.

The Honourable Dana Harris Porter
Chief Justice of Ontario
Toronto, Ontario ----- Chairman

Mr. W. Thomas Brown, M.B.E.,
Investment Dealer,
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.
Banker,
Toronto, Ontario

Mr. Gordon L. Harrold,
Agriculturist
Calgary, Alberta

Mr. Paul H. Leman
Corporation Executive
Montreal, Quebec

Mr. John C. MacKeen
Corporation Executive
Halifax, Nova Scotia

Dr. W.A. Mackintosh
Vice-Chancellor
Queen's University
Kingston, Ontario

Order P.C. 1961-1484 of the 18th day of

October, 1961. ----- copy of which is hereto

Mr. H.A. Hampson ----- Secretary

Mr. Gilles Mercure ----- Joint Secretary

named to inquire into and report upon the
structure and ----- methods of operation of the

Canadian financial system, including the

banking and monetary system and the

institutions and processes involved in the



Nethercut & Young

Toronto, Ontario

- 2 -

Victoria, B.C.
Monday, March 12, 1962

--- On commencing at 9.15 A.M.

THE CHAIRMAN: We shall now convene the first meeting of the Royal Commission on Banking and Finance. Mr. Secretary, I believe you have the original Commission.

THE SECRETARY: Yes, Mr. Chairman, I would like to table as Exhibit No. 1 the Commission under seal appointing this Commission.

THE CHAIRMAN: Exhibit No. 1.

EXHIBIT NO. 1: The Commission.

THE CHAIRMAN: I shall read the Commission:

"ELIZABETH THE SECOND, by the Grace of God of the United Kingdom, Canada and Her other Realms and Territories QUEEN, Head of the Commonwealth, Defender of the Faith.

TO ALL TO WHOM these Presents shall come or whom the same may in anywise concern,

GREETING:

WHEREAS pursuant to the provisions of Part I of the Inquiries Act, chapter 154 of the Revised Statutes of Canada, 1952, His Excellency the Governor in Council, by Order P.C. 1961-1484 of the 18th day of October, 1961, a copy of which is hereto annexed, has authorized the appointment of Our Commissioners therein and hereinafter named to inquire into and report upon the structure and methods of operation of the Canadian financial system, including the banking and monetary system and the institutions and processes involved in the



1 flow of funds through the capital
2 market and to make recommendations.

3 (a) for the improvement
4 of the structure and
5 operations of the financial
6 system and, more particularly,
7 (b) concerning the Bank Act,
8 the Bank of Canada Act, the
9 Quebec Savings Banks Act,
10 and other relevant federal
11 legislation,

12 and has conferred certain rights, powers
13 and privileges upon Our said Commissioners
14 as will by reference to the said Order
15 more fully appear.

16 NOW KNOW YE that, by and
17 with the advice of Our Privy Council for
18 Canada, We do by these Presents nominate,
19 constitute and appoint the Honourable
20 Dana Harris Porter, of the City of
21 Toronto, in the Province of Ontario;
22 W. Thomas Brown, Esquire, of the City
23 of Vancouver, in the Province of British
24 Columbia; James Douglas Gibson, Esquire,
25 of the City of Toronto, in the Province
26 of Ontario; Gordon L. Harrold, Esquire,
27 of the City of Calgary, in the Province
28 of Alberta; Paul H. Leman, Esquire,
29 of the City of Montreal, in the Province
30 of Quebec; John C. MacKeen, Esquire,
of the City of Halifax, in the Province
of Nova Scotia; and William A. Mackintosh,
Esquire, of the City of Kingston, in the
Province of Ontario, to be Our



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Toronto, Ontario

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Commissioners to conduct such enquiry.

TO HAVE, HOLD, EXERCISE AND ENJOY the said office, place and trust unto the said Dana Harris Porter, W. Thomas Brown, James Douglas Gibson, Gordon L. Harrold, Paul H. Leman, John C. MacKeen and William A. Mackintosh, together with the rights, powers, privileges and emoluments unto the said office, place and trust of right and by Law appertaining during Our Pleasure.

AND WE DO HEREBY AUTHORIZE Our said Commissioners to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies.

AND WE DO HEREBY AUTHORIZE Our said Commissioners to adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time.

AND WE DO HEREBY AUTHORIZE Our said Commissioners to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board.

AND WE DO HEREBY require and direct Our said Commissioners to report to the Governor in Council with



1 all reasonable despatch, and file
2 with the Dominion Archivist the papers
3 and records of the Commission as soon
4 as reasonably may be after the conclusion
5 of the inquiry.

6 AND WE DO FURTHER appoint
7 the said Dana Harris Porter to be
8 Chairman of Our said Commissioners.

9 AND WE DO FURTHER appoint
10 Harold Anthony Hampson, Esquire, of the
11 City of Toronto, in the Province of
12 Ontario, to be Secretary of the said
13 Commission.

14 IN TESTIMONY WHEREOF We
15 have caused these Our Letters to be
16 made Patent and the Great Seal of Canada
17 to be hereunto affixed.

18 WITNESS: Our Trusty and Well-
19 beloved Major-General GEORGE
20 PHILIAS VANIER, Companion of
21 Our Distinguished Service
22 Order upon whom We have
23 conferred Our Military Cross
24 and Our Canadian Forces'
25 Decoration, Governor General
26 and Commander-in-Chief of
27 Canada.

28 AT OUR GOVERNMENT HOUSE, in Our City of
29 Ottawa, this eighteenth day of October
30 in the year of Our Lord one thousand
nine hundred and sixty-one and in the
tenth year of Our Reign."

We have reserved this time for any
representations that might be made by the



1 Government of British Columbia if it is
2 considered desirable to make representations.
3 I do not know whether any representative of the
4 Government is here this morning. If not we
5 will assume that they do not wish to make
6 representations unless we hear from them later.

7 Mr. Secretary, is there any further
8 business to follow immediately?

9 THE SECRETARY: Mr. Chairman, the
10 next witness has been invited for 11.15 a.m.

11 THE CHAIRMAN: We will have to adjourn
12 until then, I suppose. There being no further
13 representations ready to proceed at the moment
14 we will adjourn until 11.15 when we will hear
15 a brief to be presented by the British Columbia
16 Bond Dealers Association.

17 --- Short Recess.
18
19
20
21
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24
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26
27
28
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30



SUBMISSION OF BRITISH COLUMBIA
BOND DEALERS ASSOCIATION

Appearances: Mr. V. Ben Williams - President
Mr. Warring P. Clarke - Member of the
Executive

THE CHAIRMAN: A brief has been
submitted by the British Columbia Bond Dealers
Association, and it is with great pleasure that I
welcome Mr. Williams representing that association
who I understand is prepared to present the
submission. Mr. Williams, would you please
proceed.

MR. WILLIAMS: Thank you Mr. Chairman
and gentlemen of the Royal Commission. First
please accept my apologies for being a little
late. However, my chauffeur coming from the
ferry was a very careful driver and did not
want to break any laws of the country with
regard to the speed limits.

We appreciate the honour of the
being the first to present a brief to this
Commission, although I must confess that
it is not a complex brief or a very lengthy
brief, nor is it a professional brief. It
was a brief prepared by two members of the
Executive of the British Columbia Bond
Dealers Association. It briefly comments
on a few points that we thought would be
particularly applicable to the smaller
dealers of the British Columbia and which
might not be covered in the larger brief and
probably more complex and lengthy brief of
the Investment Dealers Association which you
will be receiving at some later date. I might
comment, however, most of the members of the

ASSOCIATION OF THE BRITISH COLUMBIA

Mr. V. Ben Williams - President
Mr. William P. Clarke - Member of the

THE CHAIRMAN: A brief has been

submitted by the British Columbia Bond Dealers
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particularly appropriate to the smaller
dealers of the British Columbia and which
might not be covered in the larger brief and



1 British Columbia Bond Dealers' Association
2 are also members of the Investment Dealers'
3 Association, and therefore will be parties
4 to that other brief.

5 In order to present it, Mr. Chairman,
6 if it is your wish, I will read it to you first.

7 THE CHAIRMAN: Very well.

8 MR. WILLIAMS: This brief is directed
9 to some of the problems of conducting an
10 investment business in British Columbia.

11 1. Bank of Canada

12 (a) Trading of the Bank of Canada is
13 complete by 3:30 p.m. Eastern Standard
14 Time. The Bank will trade to 5 p.m. Eastern
15 Standard Time with western dealers. The
16 only information, pertaining to this trading
17 by the Central Bank, that is available locally,
18 is through branch offices of eastern
19 dealers, through direct long distance
20 contact with dealers in the Toronto-Montreal
21 area and through the action of the Canadian
22 bond market.

23 This lack of information makes dealers
24 reluctant to risk too great an inventory
25 in bonds and thus does not assist the
26 Bank of Canada in the establishment of a
27 more national money market.

28 It is suggested that the local agent
29 of the Bank of Canada have a trading
30 department and be authorized to trade in the
same manner as in the Torpnto-Montreal area
and that the period of trading be so timed
that it is during business hours from
coast to coast.

are also members of the Investment Dealers' Association, and therefore will be parties to that other brief.

In order to present to Mr. Chairman, if it is your wish, I will read it to you first.

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Bank of Canada

(a) Trading of the Bank of Canada is complete by 3:30 p.m. Eastern Standard Time. The Bank will trade to 5 p.m. Eastern Standard Time with western dealers. The only information, pertaining to this trading, by the Central Bank, that is available locally, is through branch offices of eastern dealers, through direct long distance contact with dealers in the Toronto-Montreal area and through the action of the Canadian bond market.

This lack of information makes dealers reluctant to risk too great an inventory in bonds and thus does not assist the Bank of Canada in the establishment of a

It is suggested that the local agents of the Bank of Canada have a trading department and be authorized to trade in the



(b) Movement of Funds - Through evolution, the financial centers of Canada have become established in the large institutions located in the Toronto-Montreal area. Investment monies, available in these institutions, have originated in other parts of the country. The cost of local dealers doing business in these centers is increased owing to the cost of the movement of funds. Some arrangements could be made whereby either through the Bank of Canada or through cooperation with the chartered banks, par privileges could be established. Bank of Canada presently move bonds by wire - funds in size could be moved in a similar fashion.

2. Chartered Banks

(a) There is a strange unanimity of borrowing rates of all banks. Borrowing by dealers is not on a competitive basis at all. Many other industries are able to negotiate a rate of borrowing dependent on the reputation of the security offered. Investment dealers offer the best hypothecation, a minimum of administration to the banks, but no matter what their own reputation, are unable to negotiate competitive rates. The rates are set by the banks and are all the same.

(b) Daylight overdrafts should be on an hourly or half hourly basis instead of on a daily rate. Present charges are 1/250 whether for ten minutes or five hours. The rates of the banks are all the same. It is

Movement of Funds - Through

evolution, the financial centers of Canada have become established in two large institutions located in the Toronto-Montreal area. Investment monies, available in these institutions, have originated in other parts of the country. The cost of local dealers doing business in these centers is increased owing to the cost of the movement of funds.

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Chartered Banks

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(b) Any type of overdraft should be on an hourly or half hourly basis instead of on a

for ten minutes or five hours. The rates



1 suggested that a rate of 1/1000 per hour
2 would be more desirable.

3 (c) 6% ceiling on chartered bank loans
4 should not be increased. This present
5 ceiling provides ample room to negotiate
6 below that level and should be rarely
7 employed. Borrowing above this rate could
8 jeopardize the development of the country
9 through increased failure of companies
10 both large and small. It is apparent
11 that the chartered banks are able to
12 attract savings accounts at their present
13 rates as is evidenced by the increase in
14 reported savings, new branches and bond
15 holdings.

14 3. Investment Dealers

15 New issues are offered through Banking
16 Groups and Selling Groups. Clients of
17 dealers not in these Groups are prevented
18 from purchasing the security at the issue
19 price unless they approach a dealer in one
20 of these groups. It is very difficult for
21 a dealer not in these Groups to gain entry.
22 Similarly, new issues such as recent
23 Province of Ontario, Quebec, Metropolitan
24 Toronto and Manitoba Telephone - in spite
25 of the desire of individuals to purchase
26 these bonds through even branches of houses
27 which are in the Banking or Selling Groups,
28 if large orders are available through the
29 financial institutions in the Toronto-Montreal
30 area, people in British Columbia are denied
the opportunity to purchase.

We appreciate that the underwriter

suggested that a rate of 1/1000 per hour
 would be more desirable
 (c) (d) ceiling on chartered bank loans
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 financial institutions in the Toronto-Montreal
 area, people in British Columbia are denied
 the opportunity to purchase.



1 is desirous of being relieved of the
2 liability undertaken as rapidly as possible,
3 at the greatest profit to himself. This
4 is a result, historically in Canada, of the
5 underwriter also being involved in
6 distribution. It is to be hoped that at
7 some time in the future these two functions
8 might be separated.

9 We suggest that for all non-competitive
10 underwriting, efforts should be made by the
11 underwriters to develop a coast to coast
12 distribution. Dealers in the different
13 areas should have the opportunity to
14 develop retail demand in their areas and
15 have an opportunity to participate. It
16 is appreciated that this would take time
17 and effort to materialize to the point
18 wherein the underwriters would have knowledge
19 of and confidence in the dealers asking
20 for participation and their ability to
21 place. This could be established similar
22 to the method presently in effect for
23 distribution of Dominion of Canada issues
24 by the Bank of Canada. The Bank of Canada,
25 by offering part of the issue firm to
26 recognized dealers, inviting to apply on a
27 maximum basis for the balance and asking
28 for record of distribution following
29 delivery date, have developed records
30 wherein they know, what dealers are
interested in, and to what extent the
dealers have the ability to place the
issues. A copy of a draft prospectus
should be available to the dealers being

in business of being relieved of the
financially undertaken as rapidly as possible.
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for participation and their ability to
place. This could be established and in
to the method presently in effect for
distribution of bonds of C. N. A. (Canada)
by the Bank of Canada. The Bank of Canada
by offering part of the issue time to
recognized dealers, inviting to apply on a
maximum basis for the interest and selling
for record of distribution following
delivery date, have developed means
wherein they know what dealers are
called in, and to meet experts and
to have the ability to place it.



1 offered participation.

2 Such a method of offering new issues
3 would result in much wider distribution
4 of the security and greater participation
5 by the people of Canada as a whole.

6 That is our presentation, Mr. Chairman.
7 One of the authors of the brief -- and I mentioned
8 there were two -- is present with me, and if
9 you have any questions I am sure that he or
10 I will be very glad to attempt to answer
11 them.

12 THE CHAIRMAN: And with you is Mr. ...?

13 MR. WILLIAMS: Mr. Warring Clarke.

14 THE CHAIRMAN: As to paragraph 1(a)
15 in the brief, are there are any questions by
16 any members of the Commission?

17 COMMISSIONER MACKINTOSH: Mr. Chairman,
18 before we touch on paragraph 1, I wonder whether
19 for the record Mr. Williams or Mr. Clarke
20 would care to say something about their
21 association -- the qualifications for member-
22 ship in it, bylaws which provide for the disciplining
23 of members, provisions as to audit, and perhaps
24 something about the extent of the market which
25 the association serves?

26 MR. WILLIAMS: Yes, sir. The British
27 Columbia Bond Dealers' Association is in about
28 its 51st year; it is an old association. The
29 objects are very similar to the Investment
30 Dealers' Association, and are included, not
31 as part, but as Appendix 2 of the brief. It
32 has certain financial requirements of minimum
33 working capital included in the bylaws, a
34 minimum working capital of \$10,000 for any

...in the ... of ...
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1 one company. A provision is made for
2 audits of those companies except those who
3 are members also of a recognized stock exchange
4 or of the Investment Dealers' Association where
5 the capital requirements are as great or
6 greater than required here and where audits
7 are undertaken periodically as well. Does
8 that give you a complete answer?

9 COMMISSIONER MACKINTOSH: Yes; and
10 the discipline?

11 MR. WILLIAMS: There are provisions,
12 as noted in the objects -- no: The ethics of
13 the business are indicated in the objects,
14 of course, and provision is made for certain
15 disciplining action. Historically, it was
16 only last year that one member of the Association --
17 and , of course, I would not at this time like
18 to mention any names -- was called before
19 the Executive on a matter of discipline and
20 was reprimanded for that. It was not a
21 serious matter, but the Executive of the
22 Association is quite well aware of the
23 importance of maintaining a high standard
24 of ethics in the investment business and is
25 prepared when necessary to take such
26 disciplining action as may be required.

27 COMMISSIONER MACKINTOSH: Yes, I
28 think that covers it. Do members have any
29 difficulty meeting the minimum capital require-
30 ments?

MR. WILLIAMS: I have not heard of
anybody having any difficulty in recent years
at all, sir.

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audits of those companies except those who
are members also of a recognized stock exchange
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think that covers it. Do members have any
difficulty seeing the minimum capital require-

I have not heard of
anybody having any difficulty in recent years
et al., etc.



1 COMMISSIONER GIBSON: Would you care
2 to say something about the extent of the
3 market here for securities, for bonds in
4 particular, and how big it is? I know you
5 cannot give exact figures, but perhaps you
6 could give us an impression. Who are the
7 main buyers? Are any of the parts of the
8 money market -- I assume you have some big
9 corporations who act as the east money banks?

10 MR. WILLIAMS: I think I will ask
11 Mr. Clarke to answer that.

12 MR. CLARKE: I shall attempt to do
13 this as well as I can, sir. You must understand
14 before I say anything that this will be more
15 a personal comment from my own experience,
16 and I would ask that I be not speaking
17 specifically on behalf of the organization,
18 but just giving my personal comment of the
19 market.

20 The market is not large here at
21 the present time, and our idea in attempting
22 to put these thoughts together was that
23 this market could be developed with the
24 assistance of some of the thoughts that we
25 have come forward with. The main buyers are
26 not in this market. The life insurance
27 companies -- we do not have, really, any here.
28 However, dealers here are interested -- and
29 I think it was referred to in this brief --
30 that money is developed within this area,
and the fact the money is funnelled off to
the Canada Life in Toronto or the Sun Life
in Montreal, and these people in turn are
making purchases of securities, and then a

Commercial Union. Would you care

to say something about the extent of the
market here for securities, for bonds in
particular, and how far it is? I know you
cannot give exact figures, but perhaps you
could give us an impression. And the other
main buyers? Are any of the banks of the
money market -- I suppose you have some big
corporations who act as the main money banks?

MR. WILKINS: I think I will ask

MR. CLARK to answer that.

MR. CLARK: I shall endeavor to do
this as well as I can. The first impression
before I say anything about this will be more
a personal comment from my own experience,
and I would ask that I be not speaking
officially on behalf of the original group,
but just giving my personal comment on the

The market is not large here at
the present time, and our local situation
is not where things looked like this
this market could be developed with the
assistance of some of the changes that we
have come forward with. The main part is the
and in this market. The main market
companies -- we do not have, really, any more.
However, there are the investors -- and
I think it was referred to in the report --
that money is developed with this idea,
and the main market is the market.



1 certain amount of that business will come
2 back into this area, and should be supported
3 through the security dealers in the Vancouver
4 area. By and large, though, there are no
5 very large institutions buying securities
6 in the Vancouver area.

7 COMMISSIONER GIBSON: You have some
8 big companies and quite a lot of well to do
9 people?

10 MR. CLARKE: Yes; I am assuming
11 this is an obvious source.

12 COMMISSIONER MACKINTOSH: How about
13 pension fund?

14 MR. CLARKE: There are a great number.
15 There are also a great number which are dealt
16 with through the east -- again, which really
17 belong and have their source in British
18 Columbia. Certain trust companies, for
19 example, if I have been told the correct
20 interpretation, do have a large part of their
21 investment of these funds done for them at
22 head office, for example, and this does mean
23 that in the case of an Ontario issue, or
24 something like that, possibly the commitment
25 for the entire range of the offices of the
26 company from coast to coast would be made
27 in one central location, and we do not see
28 any of that business at all here.

29 COMMISSIONER LEMAN: Could you
30 explain, Mr. Clarke, a little bit about the
movement of funds you just referred to? Despite
operations in, say, the head office system,
if there should be an investment in the
securities of a substantial B.C. company,

...of that business will come
back into this area, and should be supported
through the security device in the Vancouver
area. My and larger, though, there are no
very large institutions being established
in the Vancouver area.

COMMISSIONER GIBSON: You have some
big companies and quite a lot of small ones.

MR. CLARK: Yes. I am assuming

this is an obvious source.

COMMISSIONER WICKHAM: How about

business firms?

MR. CLARK: There are a great number.

There are also a great number which are dealt
with through the bank -- again, which is really

belong and have their names in British

Columbia. Certain trust companies, the

others, if I have been told the company

interpretation, do have a large part of their

investment of these funds done in the

best of all, for example, and this does mean

that in the case of an Ontario bank, or

from the entire range of the offices of one

company from about 100 to 150 in the

in one central point or two or three

any of these business of all these

expanding, the Office of the Secretary of the

movement of funds, for

positions in, say, the bank office



1 those funds would be invested from head
2 office, nevertheless, is your view?

3 MR. CLARKE: I am saying again, if
4 I have been told correctly by a local branch
5 of a major trust company, we go to them, for
6 example, and say any interest in Ontario --
7 although there are large interests in Ontario,
8 and major funds are being looked after from
9 the east, and we have only odd bonds we are
10 buying, and yet that money is being contributed
11 in British Columbia, serviced in the east,
12 and we as local dealers are not seeing any
13 profit from that, I suppose is the answer.

14 COMMISSIONER BROWN: Does this apply
15 to all the trust companies?

16 MR. CLARKE: I would think not, Mr.
17 Brown. I am thinking of one or two in particular,
18 though: some seem to buy more, in my experience,
19 than others. Some seem to buy very little
20 merchandise in this market for companies
21 that they look after in this market.

22 COMMISSIONER MACKINTOSH: What would
23 be the situation with regard to B.C. bonds?
24 Would these still be handled through the head
25 office, or local bond dealers?

26 MR. CLARKE: We have had a peculiar
27 set of circumstances here in B.C. bonds. Really,
28 we have been doing most of the British Columbia
29 work here because of the particular type of
30 bonds that have been offered. The parity
bond has been confined pretty well to
British Columbia. However, this has also
been more of a retail bond as opposed to a
large wholesale bond -- and a limit on the

... could be invested from head
office, nevertheless, in your view

I have been told correctly by a local branch
of a major trust company, we do so often, for
example, and say any interest in Ontario --
although there are large interests in Ontario,
and major funds are being looked after from
the east, and we have only one bond we are
buying, and yet that money is being contributed
in British Columbia, serviced in the east,
and we as local dealers are not seeing any
profit from that, I suppose is the answer.
COMMISSIONER BROWN: Does this apply

to all the trust companies?
MR. CHARLES: I would think not, Mr.
Brown. I am thinking of one or two in particular,
though: some seem to buy more, in my experience,
than others. Some seem to buy very little
merchandise in this market for corporate
trust they look after in this market.

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Would these still be handled through the head
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set of circumstances here in B.C. bonds. Really,
as have been doing most of the British Columbia
work here because of the particular type of
bonds that have been offered. The primary
bond has been for



1 number of bonds available to any one
2 purchaser. There has been an active attempt
3 to distribute the securities within the
4 province of British Columbia, and I think
5 with fair success.

6 COMMISSIONER LEMAN: To expand more
7 on this movement of funds you have referred
8 to, would you hazard a guess as to whether
9 British Columbia is a net importer of true
10 funds for long-term investment from the
11 east of Canada, or the other way around?

12 MR. CLARKE: If British Columbia
13 is a net importer ...?

14 COMMISSIONER LEMAN: Of capital
15 funds? Would you say it is a net importer
16 of capital funds?

17 MR. CLARKE: I don't quite get that,
18 but what I think we are saying here, if I
19 may attempt to clarify it, is that in an
20 attempt to build up the market here a lot
21 of money is being funnelled in, let us say,
22 from insurance premiums -- hundreds of thousands
23 of dollars -- which in turn are being sent
24 to the head office of an insurance company,
25 and those funds are being used to purchase
26 securities in the market. Where the movement
27 of funds becomes a problem to the dealer in
28 Vancouver, he can have -- may I just take
29 any insurance company -- it makes no difference --
30 in the Toronto area: If a small dealer here
were able to negotiate a sale of \$1,000,000
of government of Canada securities with a
dealer in Toronto, he can have the securities
delivered in Toronto through the Bank of Canada

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purchaser. There has been an active attempt
to distribute the securities within the
province of British Columbia, and I think

COMMISSIONER LEAHY: To expand more

on this movement of funds you have referred
to, would you hazard a guess as to whether
British Columbia is a net importer of funds

for long-term investment from the
east of Canada, or the other way around?
MR. CLARK: If British Columbia

is a net importer...

COMMISSIONER LEAHY: Of capital?

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of capital funds?

MR. CLARK: I don't know, but that

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in the Toronto area. If a small dealer here

were able to negotiate a rate of \$1,000,000

of government of Canada securities with a

dealer in Toronto,



1 at no cost, but the transportation of his
2 funds is subject to a tariff which makes
3 it virtually impossible for him to deal in
4 that market in competition with people on
5 the spot, and yet this is money that has
6 theoretically been accumulated in the B.C.
7 area and is being used in Toronto or the
8 Montreal area. We in turn, do not get, by
9 and large, a portion of that business because
10 of the additional cost involved in the ship-
11 ment of the money back -- not the securities,
12 but the money itself.

12 Large firms, for example, are in
13 competition to his rather small shipping
14 balance whereas the local dealer -- and
15 there are any number of them -- does not
16 have a branch office in Ontario, for
17 example, to use to buy funds from and he
18 might have \$50,000 or \$100,000 they will
19 ship back and possibly has a big balance
20 and in the case of the British Columbia
21 dealer dealing in the east he ships the
22 entire balance back.

21 THE CHAIRMAN: Have you any
22 solution to this problem to suggest?

23 MR. CLARKE: The solution has
24 been vaguely offered, sir in the -- may
25 I read?

26 THE CHAIRMAN: Yes.

27 MR. CLARKE:

28 "Some arrangements could
29 be made whereby either through the
30 Bank of Canada or through co-operation
with the chartered banks, par



1940 (1941)

at no cost, but the transportation of his funds is subject to a tariff which makes it virtually impossible for him to deal in that market in competition with people on the spot, and yet this is money that has theoretically been accumulated in the B.C. area and is being used in Toronto or the Montreal area. We in turn, do not get, of course, a portion of that business because of the additional cost involved in the shipment of the money back -- not the securities, but the money itself.

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THE CHAIRMAN: Yes.

"Some arrangements could

be made whereby either through the

Canada or through co-operation

with the shipping people



1 privileges could be established.

2 Bank of Canada presently move bonds
3 by wire ... "

4 We feel that the shipment of funds might
5 equalize that problem.

6 DR. MACKINTOSH: In other words
7 you would like to have it payable at par?

8 MR. CLARKE: If that were possible.

9 COMMISSIONER MACKINTOSH: Anywhere
10 in Canada except the Northwest Territories.

11 MR. CLARKE: If that were suitable
12 our problem would be solved or that problem
13 would be solved.

14 COMMISSIONER BROWN: I think I would like to
15 ask a further question along the line of
16 Mr. Leman's. Have you any information on
17 whether on balance British Columbia is a net
18 importer of capital or a net exporter? I am
19 not talking about the day to day problems of
20 par privileges but you mentioned the problem
21 in British Columbia with the insurance
22 companies. Do the insurance companies
23 invest in British Columbia capital more than
24 they take out of British Columbia or is it
25 the other way around or have you any opinions
26 on that?

27 MR. WILLIAMS: This is a good point,
28 Mr. Brown. I doubt if any of our members have
29 ever made a thorough study of that but I should
30 hazard a guess that the insurance companies
 probably invest a great deal more in the east
 than they do in the west of the funds that
 they earn in the west having their head
 offices in Toronto or Montreal or whatever

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1 the case may be but unfortunately, as I
2 mentioned, this is an amateur's brief and
3 was not prepared professionally and we did
4 not make a thorough economic study of all
5 these matters but there are certain problems
6 there that deal primarily with the local
7 dealers of British Columbia. Hazarding a
8 guess I would think far more funds could
9 be invested in British Columbia in comparison
10 to the monies that were earned by these
11 institutions.

12 COMMISSIONER LEMAN: This is singling out
13 insurance companies but would you think the
14 savings of the British Columbia people are
15 greater than the total capital investment
16 in British Columbia of companies by direct
17 security investment et cetera?

18 MR. WILLIAMS: The bigger bank accounts
19 are probably provided by, say, the bigger of
20 bank whose
21 those/investments are probably by head office
22 and not the local office. So that would
23 add to the picture I mentioned before as far
24 as insurance companies are concerned. Whether
25 the banks are investing in this way or insurance
26 companies by way of mortgages in British
27 Columbia, more capital in industry in British
28 Columbia which would balance up, that becomes
29 a problem of economics which I am afraid we
30 are not prepared to answer very intelligently.

COMMISSIONER MACKINTOSH: Do not
British Columbia businessmen require a loan
to carry on their business?

MR. WILLIAMS: I think we are getting
out of our depth there. I am sure they



the case may be but unfortunately, as I mentioned, this is an amateur's brief and was not prepared professionally and we did not make a thorough economic study of all these matters but there are certain problems there that deal primarily with the local dealers of British Columbia. Having said that I would think far more funds could be invested in British Columbia in comparison to the monies that were earned by these

This is a striking fact. Insurance companies but would you think the savings of the British Columbia people are greater than the total capital investment in British Columbia of companies by direct security investment or otherwise.

MR. WILLIAMS: The bigger bank accounts

are probably provided by, say, the bigger of those investments are probably by head office and not the local office. So that would add to the picture I mentioned before as far as insurance companies are concerned. Whether the banks are investing in that way or insurance companies by way of mortgages in British Columbia, more capital in industry in British Columbia which would balance up, that becomes a problem of economic which I am afraid we are not prepared to answer very intelligently.

COMMISSIONER MACINTOSH: Do not British Columbia businessmen require a loan to carry on their business?

MR. WILLIAMS: I think we are looking



1 do. I was just thinking I find that if
2 I may go back to the insurance companies I
3 think also the chartered banks are very
4 interested in investing as much money
5 as they possibly can in the area of originating
6 and as such would purchase, for example, British
7 Columbia bonds or bonds from the area -- municipal
8 bonds and so on and they certainly are most fair
9 in their selection of apportionment of their
10 funds on a basis of where the money is
11 derived. This is opinion again but I have
12 had a small amount of experience that they will
13 apportion money.

14 Our problem is if they decided in
15 Toronto to buy bonds in Chilliwack, how do
16 we get our money back here without paying
17 the chartered banks?

18 COMMISSIONER MACKINTOSH: I would be
19 very surprised that this outgoing progressive
20 province saved more than it invested.

21 COMMISSIONER GIBSON: This province
22 has grown faster than any province in Canada
23 and has had a great capital deficit.

24 MR. WILLIAMS: I do not think we
25 try to make that claim in our brief or in
26 our answer that there is more British
27 Columbia money going out of the province than
28 coming in. We are concerned primarily with
29 the problem of the smaller dealer trying to
30 sell securities and being able to get their
money shipped from the east at par privilege.
I must confess as far as I am concerned you are taking

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the problem of the smaller dealer trying to
sell securities and being able to get their
money shipped from the east at par privilege.
I must confess as far as I am concerned you are



1 me out of my depth. Mr. Clarke may be able
2 to answer you very intelligently in that
3 regard.

4 THE CHAIRMAN: Any more questions
5 on this general question? Then, shall we
6 go to paragraph 1 of the brief? Any questions
7 arising from that?

8 COMMISSIONER BROWN: I was wondering
9 if we could get some comment about the last
10 section of that paragraph when you suggest
11 that:

12 "... the Bank of Canada
13 have a trading department and be
14 authorized to trade in the same
15 manner as in the Toronto-Montreal
16 area and that the period of trading
17 be so timed that it is during business
18 hours from coast to coast".

19 That would involve operating in Ottawa from
20 8 in the morning until 8 at night. Is that
21 the suggestion?

22 MR. WILLIAMS: Or give authority
23 to the local manager of the Bank of Canada to
24 trade bonds up to a certain amount at least
25 for the balance of the business day in the
26 same way that branch offices of eastern firms
27 are permitted to trade bonds, say, from local
28 offices for the balance of the day after
29 their head office at Toronto or Montreal
30 may be closed. Our suggestion is that the
Bank of Canada also be permitted to maintain
their trading department and make trades to
local dealers up until the close of business
in British Columbia.

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THE CHAIRMAN: Any more questions
on this general question? Then, shall we
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be so timed that it is during business
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6 in the morning until 6 in the night. Is that
the suggestion?

MR. WILLIAMS: On give, accordingly
to the local manager of the Bank of Canada to
trade bonds up to a certain amount at least
for the balance of the business day in the
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may be closed. Our suggestion is that the
Bank of Canada also be permitted to maintain



1 THE CHAIRMAN: Part of this portion
2 of your submission deals with the disparity
3 of time between the east and the west and the
4 difficulties resulting from that. What do
5 they do in the United States -- San Francisco,
6 for instance? They must be up against the
7 same sort of problem there. Do you know how
8 they solve it or whether they do solve it?

9 MR. WILLIAMS: The Federal Reserve
10 Banks in the United States -- the Federal
11 Reserve Banks, as I understand it, in San
12 Francisco and in the mid-western states do
13 not have the same problem. The Federal Reserve
14 Banks as such I do not think have the same
15 setup as the Bank of Canada that in itself
16 makes the market. I am not too sure of that.
17 But certainly the central banks in the United
18 States have their offices in various parts
19 of the United States so the problem would
20 therefore be solved at that level.

21 MR. GIBSON: You suggest, Mr. Williams,
22 that if the Bank of Canada were open this longer
23 period or, say, the trading department out here
24 the dealers would carry larger inventories
25 making more of a market?

26 MR. WILLIAMS: As I understand it
27 probably our own firm it would not affect but
28 as far as some of them are concerned I am told
29 it would definitely make it much more logical
30 for them to maintain a larger inventory and
therefore be prepared to also broaden the
market for Government of Canada bonds.

COMMISSIONER GIBSON: Do they carry
much in the way of inventories now?

THE CHAIRMAN: Part of this position

of your submission deals with the disparity of time between the east and the west and the difficulties resulting from that. What do they do in the United States -- San Francisco for instance? They must be up against the same sort of problem there. Do you know how they solve it or whether they do solve it?

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Banks in the United States -- the Federal Reserve Banks, as I understand it, in San Francisco and in the mid-western states do not have the same problem. The Federal Reserve Banks as such I do not think have the same setup as the Bank of Canada that in Canada makes the market. I am not too sure of that. But certainly the central banks in the United States have their offices in various parts of the United States so the problem is therefore solved at that level.

MR. GIBSON: You suggest, Mr. Williams,

that if the Bank of Canada were open this longer period or, say, the trading day, that out here the dealers would carry larger inventories taking more of a market?

MR. WILLIAMS: As I understand it

probably our own firm it would not affect but as far as some of them are concerned I am told it would definitely make it much more difficult for them to maintain a larger inventory and therefore be prepared to also cushion the market for government of Canada bonds.



1 MR. WILLIAMS: That would vary
2 considerably. We are told by some firms which
3 carry fair sized inventories that they probably
4 would increase substantially if the facilities
5 were available for the full business day.

6 MR. CLARKE: This rather seems a
7 chicken and the egg approach in a sense. Certainly
8 there seems no doubt that business would increase
9 if their facilities were available.

10 COMMISSIONER BROWN: We understand that there
11 are representations from elsewhere that the
12 Bank of Canada should not trade in long-term
13 bonds but should restrict its trading to
14 treasury bills only. Have you any comment
15 on that? That would of course wash out this
16 suggestion of yours. Have you any comment
17 on that point?

18 MR. WILLIAMS: It would seem to balance
19 up things for all dealers then. That opinion
20 is without studying too thoroughly. At the
21 present time the eastern dealer has the full
22 business day in which to trade and the western
23 dealer has not and in the view of the British
24 Columbia Bond Dealers that is a fact we were
25 trying to point out to the Commission.

26 THE CHAIRMAN: Then, we move to 1(b).
27 I think that has pretty well been dealt with.
28 There are no further questions on that aspect?

29 Then, 2, chartered banks. Any
30 questions on that? 2(a).

COMMISSIONER BROWN: There might be
one question, Mr. Chairman. Have you any
idea of the extent, if any, that the members
of the British Columbia Bond Dealers are



WILLIAMS: That would vary

considerably. We are told by some firms which carry fair sized inventories that they probably would increase substantially if the facilities were available for the full business day.

MR. CLARK: This rather seems a

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up things for all dealers when. That option is without studying too thoroughly. At the present time the eastern dealer has the full business day in which to trade and the western dealer has not and in the view of the British Columbia Bond Dealers that is a fact we are trying to point out to the Commission.

THE CHAIRMAN: That we move to 5(a).

I think that has pretty well been dealt with. There are no further questions on that subject?

Then, 5, chartered banks. Any

questions on that 5(a).

MR. BROWN: There might be



1 borrowing from the so-called near banks and
2 at a lower rate than the chartered banks?

3 MR. CLARKE: I can only say on behalf
4 of our own firm that we have availed ourselves
5 of the opportunity from time to time -- not
6 by very much. I think the feeling, if I
7 can express my personal view, is that these
8 other near banks do not have the depth that
9 we require and we are reluctant to borrow
10 at cheaper rates which are available and
11 have been advertised as such to us because
12 we just have never had any real experience
13 with them before and we do not know that that
14 source would be taken away from us and whether
15 the chartered banks that we are dealing with
16 would be just as happy to do business with
17 us again if the other source was taken away.
18 We don't know. The fact is that we have been
19 offered money from, say, so-called near banks
20 at lesser rates than we are paying to the
21 chartered banks for the same securities. It
22 is a very inviting and appealing kind of thing
23 and we have been concerned about whether we
24 should do anything about it. We have been
25 feeling our way.

26 COMMISSIONER MACKINTOSH: Aside from
27 the so-called near banks are there offerings
28 from other corporations, industries and so on
29 who want to keep their money active?

30 MR. CLARKE: Not very long ago, to
answer your question, there was a circular
I understand in talking to other dealers
offering funds against certain collateral
there being different rates for different

containing from the so-called main and
at a lower level than the other of banks
Mr. CHAMBER: I can only say that
of our own firm that we have avoided ourselves
of the opportunity from time to time -- not
by very much. I think the feeling is I
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the concerned bank that we are dealing with
not to be just as happy to do business with
us again if the other banks are taken away.
We don't know. The fact is that we have been

at a lower rate than we are going to find
chartered bank for the same amount. It
is a very interesting and something about it
and we have been concerned about whether we
should do anything about it. It has been
feeling all day.

GOVERNMENT BANKING. Again this

the so-called main banks and their situation
from other banks, from time to time and so on
and so on. I think it is very interesting
Mr. CHAMBER: It is very interesting
when you consider the fact that a
I think it is very interesting



1 types at very much reduced rates than the
2 rates we are currently paying.

3 COMMISSIONER MacKEEN: You say here:

4 "Investment dealers
5 offer the best hypothecation, a
6 minimum of administration to the
7 banks, but no matter what their
8 own reputation, are unable to
9 negotiate competitive rates".

10 MR. CLARKE: Yes.

11 COMMISSIONER MacKEEN: Does not that
12 perhaps result from the fact that the rate that
13 you get is generally the preferred rate with
14 any of the chartered banks; in other words,
15 you get the benefit of the best rate available
16 anywhere?

17 MR. CLARKE: Well, sir, we do not
18 feel that because there are near banks who
19 appear to be in business to give us
20 accommodation at lower rates and our feeling,
21 of course, is that from the standpoint of the
22 banker, first of all, there should be different
23 types of investment security used. Someone
24 else's firm is in better standing than my firm
25 which is a relative newcomer to the field and
26 yet all these rates are the same to all of
27 us.

28 COMMISSIONER MacKEEN: Would not it
29 depend on the type of collateral you offered?

30 MR. CLARKE: It does basically, yes.

COMMISSIONER MacKEEN: And the reason
you would hesitate to deal with the near banks,
so called, would be that they could have
funnelled today and tomorrow they might not

... needed notes than the
... in paying.

You are here:

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minimization of administration to the
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COMMISSIONER WHEELER: Does not that
pattern production the fact that the note that
you get is generally the paid rate with
any of the character banks; in other words,
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MR. CHAIRMAN: Well, yes, we do not
feel that because there are some banks who
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of course is that the advantage of the
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times in a corner standing then of time
which is a relative measure to the risk and
then all these things are the same to all of

MR. WHEELER: Would not it



1 whereas you get a steady source of supply
2 as you need it from the chartered banks?

3 MR. CLARKE: Yes, that is correct, sir.
4 We would have a situation, if I may explain on
5 that, where so far as the chartered bank is
6 concerned where we would have no problem.
7 By and large we are in his building or very
8 close and as long as the collateral is there
9 and as long as the money is there which he
10 can check in two seconds he is prepared to
11 lend us the money and at the established rate.
12 What we are pointing out is that there does not
13 seem to be any difference at all. You cannot
14 borrow from one chartered bank any cheaper
15 than another. There is this unanimity of rates
16 structure among all the chartered banks on
17 borrowing.

18 COMMISSIONER MACKEN: May not that
19 be because you get the minimum rate?

20 MR. CLARKE: We like to think so
21 but because we have been offered money at less
22 we wonder, sir.

23 COMMISSIONER LEMAN: Do you have
24 access to the Bank of Canada against certain
25 types of security?

26 MR. CLARKE: I am really not qualified
27 to answer that. I think you have reference to
28 the few people on day to day money, is that
29 correct?

30 COMMISSIONER MACKEN: Yes.

 MR. CLARKE: No, we do not have it.
I do not think there is a dealer in Vancouver
that does that.

Q: Now, that is correct, that is correct.
A: I would have a situation, if I may explain on
that, where as far as the situation is
concerned where we would have no problem.
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COMMISSIONER JACKSON: Yes, you first
be because you get the minimum rates.
MR. GURLEY: He likes to think so
but because we have got a lot of money at least
we would like.

COMMISSIONER LEMAY: Do you have
access to the Bank of Canada against certain
types of securities?

MR. GURLEY: I am really not qualified
to answer that. I think you have reference to
the situation of the money, as that

COMMISSIONER MacKEEN: From what you said it seems to me that the reason you stick with the chartered banks is that you get better service from them under the circumstances. You can rely upon getting your money quickly when required and you do not have to worry as to whether the bank will have the money available for you in the way you might expect of some of the near banks. You may be able to get one loan with them and not be able to renew it and then have to go back to the chartered bank and the service is worth something.

MR. CLARKE: That is correct.

THE CHAIRMAN: Isn't that the reason that you stick to the chartered banks?

MR. CLARKE: I think it is very much a very recent innovation, this near bank. It could be that these funds would be available over a period of time. I really do not know where those funds come from by and large.

THE CHAIRMAN: With the sort of business you carry on I would think you would need to deal with some organization which gives you prompt treatment?

MR. CLARKE: Yes.

THE CHAIRMAN: And most of these near banks deal in longer term loans of one kind and another -- mortgages, et cetera, a different type of business, isn't it?

MR. CLARKE: That is quite correct, sir. I think what we are really talking about is the non-competitive approach.

THE CHAIRMAN: You think that, of course,

114 From what you said

it seems to me that the reason you think that
the character of the bank is that you got better
service from them in the circumstances.
You can rely upon getting your money easily
when required and you do not have to worry
as to whether the bank will have the money
available for you in the way you might expect
of some of the other banks. You may be able
to get one lot, with which you can do this
to renew it and then have to go back to
the character of the bank and the service it would
be giving.

115 I think that is correct.

116 That you think is the character of the bank?
117 MR. CHAMBERLAIN: I think it is very much
118 a very good character, that is what I think.
119 It would be good if the bank would be available
120 over a period of time. I really do not know
121 where these funds come from, but I think
122 that is all right. With the sort of
123 business you carry on I would think you would
124 need to have some organization or give

125 Yes.

126 THE CHAIRMAN: And now of these other

127 banks that I have been talking of, would you
128 say that they are not as good as the bank you

129 are talking of?

130 Yes.



1 because you have the lower rate of interest than
2 the others?

3 MR. CLARKE: We know that our business
4 is on a straight competitive basis. We can
5 offer bonds at such and such a price today.
6 If anyone else can offer bonds at less money
7 we won't get that business and yet when we
8 come to borrow money from the chartered bank
9 system and give them some security which we
10 have been doing for years -- they know our
11 capital position, they know our liquidity
12 position, they can find out in a moment.
13 We do not seem to be able to break through
14 this barrier in any manner at all. We have
15 twice as much capital as another firm, for
16 example, and the risk is not as great.

17 COMMISSIONER LEMAN: Are you suggesting
18 they pay particular attention to the collateral
19 put up, that is, as to the firm's position?

20 MR. CLARKE: The collateral is pretty
21 well basic. I am thinking of the firm's position
22 itself, how long they have been in business and
23 what business they do, their capital position,
24 that is pretty well known to the bank.

25 COMMISSIONER LEMAN: Do you feel that
26 there are not normal market influences that
27 would bring about the equalization of rates
28 even if there is, as you suggest, a non-
29 competitive position now? In other words, how
30 long can you sell grade A eggs at 2 cents
below the neighbouring store?

MR. WILLIAMS: I think the point
in a
there is that once/ while you do find a
neighbouring store that will offer them a



1 little lower. If you go to buy gasoline
2 every station has the same price but
3 occasionally there is price war because of
4 competition. There has never been to our
5 knowledge any such competition in the banking
6 field. True, it should eventually balance
7 out and they will all eventually end up the
8 same. Maybe they have not had the same
9 opportunity as some other types of business.
10 The point we make is that there is never
any variation.

11 THE CHAIRMAN: Perhaps they are down
12 to rock bottom now.

13 COMMISSIONER BROWN: Is it possible
14 that the competitive factor comes into it
15 through the recognition of the stabilized
16 form or the amount of actual capital a firm
17 has, the length of the loan, the credit of your
18 firm -- you have a line of credit of \$500,000
19 on Canada's and another firm has a line of
credit on \$100,000?

20 MR. CLARKE: I think that would have
21 an effect, yes.

22 COMMISSIONER BROWN: There is a
23 difference then?

24 MR. CLARKE: I think there would be.
25 I can only assume that it would make good
26 common sense that there would be a difference,
27 yes. Our line of credit, I know, in our firm
has been increasing steadily.

28 COMMISSIONER MACKINTOSH: Aren't you
29 a little inconsistent in arguing the competition
30 here in suggesting that the maximum rate of 6%
be maintained and that there be no competition



1 at the upper end? Would not the consistent
2 thing be to say: "Let us have a competitive
3 rate therefore and each take the maximum
4 rate off and let the market settle?"

5 MR. CLARKE: I think that is a particularly
6 good point, sir.

7 COMMISSIONER MACKINTOSH: All right,
8 the Commission will note it.

9 COMMISSIONER LEMAN: Similarly, Mr.
10 Clarke, would you argue also that stock
11 exchange commissions should be competitive,
12 that people should shop around for who will
do the kind of action the cheapest?

13 MR. CLARKE: I think whether that
14 becomes a part of an association --

15 COMMISSIONER MACKINTOSH: I think
16 the answer to Commissioner Leman's question
17 is that this is the business that bond
dealers are in.

18 MR. CLARKE: This, I think, could
19 be said of just about every business in this
20 way. You elect to go into it and take your
chances.

21 COMMISSIONER MACKINTOSH: I did not
22 mean that, but bond dealers who will give
23 you the best quote. If you are not in a
24 stock exchange operating on a fixed market,
25 once in a while you do get a better quote.

26 MR. CLARKE: The business of the
27 stock exchange is that it is not a matter
28 of inventory. You are merely accepting an
29 order on behalf of a client and funnelling
30 that through. Your working capital is
merely used for one or two days in order

not one consultation

thing he to say: "Let us have a competitive

race therefore and each take the maximum

rate off and let the market settle?"

MR. CLARK: I think that is a particularly

good point, Mr.

COMMISSIONER WASHINGTON: All right.

The Commission will note it.

CLARK: Would you agree also that stock

exchange transactions should be competitive,

that people should shop around for it, so will

do the kind of action the cheapest?

MR. CLARK: I think whether that

becomes a part of an association --

COMMISSIONER WASHINGTON: I think

the answer to Commissioner Jordan's question

is that this is the business that bond

dealers are in.

MR. CLARK: That, I think, could

be said of just about every business in this

COMMISSIONER WASHINGTON: I did not

mean that, but bond dealers who do not have

you the best quote. If you are not in a

stock exchange operating on a fixed basis,

once in a while you do get a better quote.

MR. CLARK: The business of the

stock exchange is that it is not a market

and you are merely

order on behalf of clients



1 to effect delivery, whereas what we are
2 talking about on the bond markets -- an
3 inventory position -- this is our business:
4 using our money, buying at a price we think
5 is correct, with an attempt to sell at a
6 higher price.

7 COMMISSIONER LEMAN: I only mention
8 it because there have been some people
9 suggesting bonds should also be traded on
10 exchanges.

11 MR. CLARKE: I think so far as
12 the brokerage price is concerned, this is
13 quite right, sir. This does not answer the
14 whole question because someone else's firm
15 might have bought securities at a lower
16 price and been able to offer a lower price
17 than I even though there was a suitable
18 mark-up after the price is determined.

19 COMMISSIONER LEMAN: Under 2, do
20 you think the matter of the daylight overdrafts
21 is a matter of the length of time within that
22 very short period you are talking about as
23 to employment of funds by the banks?

24 MR. CLARKE: We can visualize the
25 possibility of banks, for example, using the
26 funds many times over during any given day,
27 making 1/250th, whereas if we acted in a
28 dog-in-the-manger style and made a daylight
29 overdraft and the rate was 1/250th and we
30 say we are going to pay it anyway, why
deposit the cheque until 3 o'clock, and the
banks can effect delivery of our securities
and receive the cheque in payment for the



1 securities which we borrowed from the bank
2 on a day by day basis, let us leave the thing
3 until 3 o'clock in the afternoon and we will
4 not let the bank use that money over again;
5 but if we replace that money with the bank
6 at 10.30 in the morning, the bank would
7 have an opportunity of repeating that same
8 process again as often as they could during
the working hours.

9 COMMISSIONER LEMAN: Is there a
10 tendency for daylight loans to be asked for
11 at the opening of business on a day?

12 MR. CLARKE: I would say you know
13 pretty well whether you are going to need a
14 daylight loan when you first start business
15 that day. You know if you have delivery
16 coming in and whether it is going to be required,
17 and you are going to need funds. If we borrow
18 the money and pay it back in a hurry, and the
19 money possibly available again, we feel there
20 is some discrepancy.

21 MR. WILLIAMS: I believe there is
22 some possibility in this, Mr. Chairman, that
23 the banks could gain something from it as
24 well. Unless I am mistaken, I understand
25 the system is that the overdraft charge is
26 on the maximum debit in the day, and in view
27 of the particular circumstances some may
28 add a million dollars to what is coming in
29 and will effect that delivery for different
30 times -- particularly so with four different
clients. In other words, they would take
delivery of a quarter of a million at one
time and pay that back for a quarter of a



1 million again, whereas the banks, in effect,
2 would get their interest on that quarter
3 of a million, whereas if it was at this
4 other rate the dealers would not go to that
5 extra trouble; but the banks would not take
6 that extra trouble of having to float different
7 loans. I do not do the banking in my firm,
8 but I understand that is the case, and they
9 can break it down and be charged at the
10 maximum balance. So, there are advantages
for the banks as well.

11 COMMISSIONER BROWN: There is one
12 sentence in paragraph 2(c) in commenting
13 about the 6% ceiling where you state:

14 "Borrowing above this
15 rate could jeopardize the develop-
16 ment of the country through increased
17 failure of companies both large
and small."

18 Would you like to comment about this?
19 Do I understand there are a number of companies
20 now that borrow from hear banks and finance
21 companies at higher rates than 6%, and are
they failing?

22 MR. WILLIAMS: I think probably what
23 the authors thought there was more or less
24 of a generalization, that the more a company
25 has to pay for its money the less they will
26 make, and the less opportunity they have
27 of succeeding. If it is a marginal operation,
28 1% extra cost on money might make the difference
29 between profit and loss. It is not a thought
30 that was debated very much at the executive
meeting. As a matter of fact, the whole thing

would get their income to on that number
of a million, whereas it is at this
other rate the dealers would not go to that
extra trouble, but the banks would not have
any extra trouble at having to float different
issues. I do not go the way in my line,
but I understand that in the case, and they
can work it down and be allowed to the
maximum dollar, &c, there are advantages
for the banks as well.

COMMERCIAL TRUST. There is one
reference in paragraph (c) in commenting
about the old selling where you have
"converting into cash"
this could be applied to the
rest of the country through insurance

and a well.
"and you like to know about this?"
as I understand there are a number of companies
now that have been taken out of business
because of higher rates than 5%, and are
they still?

Yes, I think I think possibly there
are others thought there was more in it
of a speculation, but the more a company
has to pay for the money the less they can
make, and the more opportunity they have

of the same.
It is a good thing



1 was done in a hurry, and some thoughts are
2 in here that possibly should have had a
3 little more debate, but I would suggest
4 it was a generalization on that particular
5 aspect of the matter, that the more you
6 pay the less chance you have of making
7 money.

8 COMMISSIONER LEMAN: There are
9 suggestions by others to the effect that
10 business is a little insensitive to interest
11 rates at these levels due to the effect of
12 income tax deductibility et cetera, so
13 it is hard to see how the extreme view you
14 suggest here can be reconciled with this
15 argument about insensitivity to interest
16 rates within certain limits.

17 THE CHAIRMAN: Are there any
18 further questions on (c)?

19 We will proceed to item No. 3,
20 "Investment Dealers".

21 COMMISSIONER LEMAN: On 3 I would
22 like to ask a question and have comments by
23 the B.C. Bond Dealers Association about the
24 way the large eastern firms perform -- a
25 sort of a freezing out process. Could you
26 describe how the B.C. Underwriters, if they
27 get an issue of their own -- how do they
28 proceed to distribute it?

29 MR. WILLIAMS: It is an extremely
30 good question. Unfortunately, the B.C.
Bond Dealers do not get these large issues
of that size. Even all the large government
issues in British Columbia are pretty well
handled -- the main syndicates -- by the



1 eastern houses. So, they are making their
2 own rules as far as British Columbia issues
3 are concerned. As far as the smaller local
4 industrial issues are concerned, the issue
5 is so small that probably your eastern
6 dealers are not too interested in any case,
7 but I think in your very large underwritings,
8 I can't think of any, actually, of a local
9 large issue that has not had an eastern firm
10 as head of the syndicate or part of the
11 syndicate. So, that issue does not arise
12 on a quid pro quo -- they treat us like that
13 so we have the opportunity of treating them
14 like that.

15 COMMISSIONER MACKINTOSH: What would
16 be about the maximum limit that would be
17 underwritten and distributed by the B.C.
18 firms? We are talking about "large" and
19 "small", and I do not know how large or how
20 small.

21 MR. CLARKE: I think I should at this
22 juncture say we are talking on behalf of many
23 very large dealers too. I don't think we
24 are talking of large and small here. We are
25 not attempting to, in any case. I don't want
26 it to get into that line of thinking. We
27 are not against the large dealer in Ontario,
28 because that happens to be part of our
29 organization, and if you will notice, the
30 objects, the members of the association start
off with A. E. Ames and go down to Dominion
Securities, etc. -- very large eastern
companies, and we are speaking for them,
by the way, too. So, we are not in argument

as far as the British Columbia issues
are concerned, as far as the smaller local
industrial issues are concerned, the issue
is to wait until probably your eastern
dealers are not too interested in any case,
and I think in your very large underground,
I can't think of any, actually, of a local,
large issue that has not had an eastern firm
as head of the syndicate or part of the
syndicate. So, that issue does not arise
on a quid pro quo -- they treat us like that
so we have the opportunity of creating them
at the time.

COMMISSIONER WALKINGTON: What would

be about the maximum limit that would be
underwritten and distributed by the B.C.
Company? We are talking about "large" and
"small", and I do not know how large or how
small.

MR. CLARKE: I think I should at this

point say we are talking on basis of very
very large dealers too. I don't think we
are talking of large and small here. We are
not attempting to, in any case. I don't want
it to get into that line of thinking. We
are not against the large dealer in Ontario,
because that happens to be part of the
organization, and if you will notice, the
object, the purpose of the association is to
get with the B.C. and go down to Ontario



1 against them. It is the system which has
2 developed and grown up over a period of time
3 where syndicates have been formed from
4 non-competitive bidding, and a new firm,
5 or a firm finds itself developing and becoming
6 a little larger and having ten salesmen, or
7 fifteen or twenty, has absolutely no opportunity
8 to get into this type of business at all.

9 THE CHAIRMAN: I know that to be
10 so in certain cases. There is no doubt about
11 that: Once the syndicate is established and
12 it is relied upon, then if some other
13 organization increases in strength and
14 wants to participate, of course, the original
15 members of the syndicate say, "We have got to
16 give something away: Why should we".

17 MR. CLARKE: That is right, and the
18 Province of Ontario, and Ontario Hydro are
19 very good examples, and my problem is, how
20 do our clients participate in Province of
21 Ontario or Hydro bonds?

22 THE CHAIRMAN: It is a very difficult
23 question, because every time that arose --

24 COMMISSIONER BROWN: Perhaps Mr. Clarke
25 did not recognize that you were, Mr. Chairman,
26 for some time Treasurer of the Province of
27 Ontario.

28 MR. CLARKE: Yes, I am quite well
29 aware of that.

30 THE CHAIRMAN: We rode it through
without having to make any changes, but I
suppose they are still seeking some method
of broadening these syndicates, and you rely
on the syndicate and the syndicate does a

against them. It is the system which has
developed and grown up over a period of time
which syndicates have been formed, and
non-competitive bidding, and a new firm,
or a firm finds itself developing and becoming
a little larger and having new relations, or
fifteen or twenty, but absolutely no opportunity
to get into this type of business at all.

THE CHAIRMAN: I know that to be
so in certain cases, there is no doubt about
that. Once the syndicate is once formed and
it is well known, then it is very hard
organization increases in strength and
wants to participate, of course, the original
members of the syndicate say "We have got to
give something away. Let them in."

MR. CHAIRMAN: What is right, and the
Province of Ontario, and Ontario Hydro and
very good people, and I am sure that, in
to our clients, participate in Province of
Ontario or Hydro Board.

THE CHAIRMAN: It is a very difficult
question, because every time these people

and are responsible that you know, Mr. Chairman,
for some time the Province of Ontario
Hydro.

MR. CHAIRMAN: Now, I am quite well
aware of that.

THE CHAIRMAN: I am quite well



1 job for you that is competent and efficient,
2 and is a better deal than you can make
3 otherwise. If you must open your doors
4 and include everybody, then they say, "It
5 is not in our interest to take the risks
6 involved in this syndicate."

7 COMMISSIONER BROWN: There is a
8 question that arises out of that, and that
9 is, do you think that the dealers would
10 participate if they were offered larger
11 participations but on a smaller profit basis?
12 In other words, are they looking at their
13 own profits or at the opportunity to service
14 clients?

15 MR. CLARKE: Again, I think we can
16 only speak from personal experience there,
17 Mr. Brown. What I think is the most annoying
18 feature of the present system is that when
19 an Ontario issue does come we are virtually
20 precluded from having any part in it. I
21 have had the experience of being with a
22 large firm in this business too some years
23 ago, and it doesn't seem to make very much
24 difference whether you are a large or a small
25 firm: You don't get very much more with
26 a large firm, but I think our idea is more
27 thoroughly explained by suggesting a possible
28 method of including good security dealers
29 who have clients who would want this type
30 of merchandize, by reference to the Bank
of Canada's system which is relatively new,
and I think, by and large, have met with
the approval of all security dealers. Granted,
they are slightly larger in concept, but, for

you for what is competent and efficient.

and it is better deal than you can make

otherwise. If you want open your door

and include everybody, then they will

is not in our interest to seek the risks

involved in this system.

COMMISSIONER FLOW: There is a

question that arises out of this, and that

is, do you think that the business is

participate in these more or less large

participations but on a smaller scale basis?

In other words, are they looking at this

and profits or is the opportunity to service

clients?

MR. CLARK: Again, I think we can

only speak from personal experience there,

Mr. Brown. What I think is the most striking

feature of the present system is that

an Olympic issue does come up the whole

question of having any part in it.

have had the experience of having them

large firm in some business for some years

ago, and it doesn't seem to me that

difference whether you are a large or a small

firm. You could get very much more

a large firm, but I think the same is true

thoroughly examined by a group of people

method of installing good service for

who have clients who would not in this

of merchandise, by reference to the



1 example, if I may refer again to the
2 Province of Ontario, I think you would find
3 very few differences.

4 COMMISSIONER LEMAN: Your suggestion
5 would seem to suggest that the Bank of Canada
6 is in its distribution working for the
7 government in placing government bonds and
8 they want a good, reasonable distribution
9 and access to this market, so its requirement
10 that the large, say, eastern underwriters
11 should pay attention to the British Columbia
12 market, and come from the issue rather than
13 from the dealers themselves, don't you think?

14 MR. CLARKE: Yes.

15 COMMISSIONER LEMAN: No company
16 anxious to see the stock was distributed in
17 British Columbia, or become known here,
18 or fixed debentures, would of its own
19 initiative suggest underwriting from Toronto
20 or Montreal if they could keep a certain part
21 of the issue for this market.

22 MR. WILLIAMS: I think that is
23 probably true, except there is a profit motive
24 in there and the desire of the underwriter to
25 get out from under his liability as rapidly
26 as profitably as possible, and if there is
27 an Ontario issue -- a \$50,000,000 Ontario issue,
28 and the insurance companies do not take up a
29 very substantial portion of it, there will be
30 very little available for the group members
in British Columbia. If, however, the insurance
companies do invest to the hilt and are not too
interested, or if the underwriters have not
priced it attractively enough to attract the

example, if I may refer again to the
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would seem to suggest that the bulk of Canada
is in its distributed working for the
government in these Government lands and
they want a good, reasonable distribution,
and access to this market, so the Government
must be large, very, because the Government
should pay attention to the British Columbia
market, and come from this land, with the

MR. CHAIRMAN: Yes.

COMMISSIONER: Yes, no company

anxious to see the stock was distributed
 British Columbia, or across the
 or fixed distribution, which is the
 initiative suggest something from 1917
 or territory, it may be a large company
 of the issue in the market.

MR. CHAIRMAN: I think that is

probably first, except there is a project in
 in them and the basis of the commission
 got out from under his liability as a result
 as practically as possible, and in the
 on the same as a 1917 company, which is
 and the business companies do not take
 very substantial portion of it, there will be
 very little available for a group of
 in British Columbia. If, however, the
 companies do intend to go into the



1 insurance companies, then an over-issue
2 would be offered in fairly large size to
3 the local dealers. That is part of the problem --
4 a well priced issue, you would get little,
5 and a poorly priced issue you would get a
6 very substantial portion, if not 100 per cent
7 of what you applied for, whereas at the present
8 time, taking Ontario again, and some other firm
9 with 10 or 15 salesmen may apply for 50 or a small
10 amount of Ontario bonds and receive a token amount
11 of 5,000, whereas if the issue was not properly
12 placed it may get the full 50. That is part
13 of what the authors of the section were
14 thinking of at the time.

15 COMMISSIONER MacKEEN: Doesn't
16 it happen, Mr. Williams, though in the central
17 part of Canada that when there is a very
18 quick moving issue that the institutions
19 may apply for \$1 million and may be cut to
20 $\$ \frac{1}{2}$ million or $\$ \frac{1}{4}$ million or even less and do
21 not yet their full allotment the same as you would
22 out here?

23 MR. WILLIAMS: I suppose if the
24 underwriters are getting orders from
25 institutions in excess of the amount that
26 they have they would have to cut everybody,
27 of course.

28 COMMISSIONER MacKEEN: Do you think
29 that you get less than your portion as compared
30 with the central parts?

MR. WILLIAMS: Well, having heard
comments from various dealers of the allot-
ments they received after making an application for



1 a reasonable amount of bonds and then getting
2 about \$5,000 worth I would^{be}/inclined to think
3 that our case is right, that we do not get
4 quite as good treatment as institutions
5 who may be cut to a certain extent.

6 COMMISSIONER LEMAN: Forgetting
7 about east and west for one second -- and
8 coming back to my first question -- how does
9 an underwriter who gets what you might call
10 a nice underwriting right here in this
11 market, how does he distribute it, say,
12 in this market?

13 MR. WILLIAMS: I think probably
14 in much the same way. That is, as far as
15 the smaller dealers are concerned say that
16 ABC~~CO~~. investment firm, a very large one,
17 the branch office of a Toronto firm has
18 the XYZ pipeline and that the pipeline
19 immediately becomes a hot, attractive,
20 glamorous issue that everybody wants. The
21 ABC company underwrites this, they consider
22 the possibility that the issue will be sold
23 to British Columbia investors. It may
24 be at the request of the government or by
25 their own people. However, in their office
26 they probably have 10 salesmen, there are
27 other firms with 10, 15 or 20 salesmen and
28 it works out that the 10 salesmen, each
29 salesman will get ten times as many bonds
30 as maybe one of the local firms who have as
many or more salesmen so that the principle,
as you see, will ensure that the local dealers
are not to be given the same treatment; in
other words, what we say, if that was delivered

a reasonable amount of bonds and then getting
about \$5,000 worth I would be inclined to think
that our case is right, that we do not get
quite as good treatment as institutions
who may be cut to a certain extent.

COMMISSIONER LEMAN: Forgetful.

about east and west for one record -- and
coming back to my first question -- how does
an underwriter who gets what you think call
a nice underwriting right here in this
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salesmen will get ten times as many bonds
as maybe one of the local firms who have as
many or more salesmen as that the principle,
as you see, will ensure that the bonds are
are not to be



1
2 to the selling group or banking group or
3 your clients do not get the bonds that
4 are particularly well priced. Our suggestion
5 for a solution to that is to do more along
6 the lines that the Bank of Canada has done.
7 The Bank of Canada will give our firm equally
8 as many Government of Canada bonds as some
9 other firm who is doing more of that type
10 of business because that is not the type
11 of business that we may do and they have
12 tried to, by experience and a study of the
13 situation, balance it up. That does not
14 apply as far as the underwriting of various
15 things are concerned.

16 COMMISSIONER LEMAN: In view of the
17 fair share concept how much would you leave
18 to opinion and how much to fact?

19 MR. WILLIAMS: The more you can
20 do it with fact the better but the opinions
21 I would undoubtedly have and if it was an
22 opinion on the distributing power of the firm,
23 a soundly conceived opinion that would be
24 very important.

25 MR. CLARKE: May I point^{out}, sir, that
26 we are talking about non-competitive under-
27 writing and as such we are not discussing
28 really what a small firm might do by comparison
29 with a large firm or vice versa. We are talking
30 about -- may I take the case of Ontario where
there is no competitive bidding for Ontario
bonds. It is one very large syndicate
comprised of the great majority of dealers
in the country and has worked out exceedingly

well. The Chairman has indicated to us it

to the selling group or bank; they are
 your clients or not yet the bonds that
 are particularly well placed. Our suggestion
 for a solution to that is to do more along
 the lines that the Bank of Canada has done
 the Bank of Canada will come out from equally
 as many Government of Canada bonds as some
 other firm who is doing more of that type
 of business because that is not the type
 of business that we say do and they have
 tried to, by experience and a study of the
 situation, balance it out. It does not
 apply as far as the marketing of various
 things are concerned.

COMMISSIONER LEWIS: In view of the
 fact that concept how much would you have
 to explain and how much to fact?

MR. WILLIAMS: The more you do
 do it with fact the better but the opinions
 I would necessarily have and it is an
 opinion on the marketing power of the firm,
 a solidly conceived opinion and would be
 very important.

MR. LEWIS: May I point out that
 we are talking about non-competitive bidding
 writing and as much we can get discussion
 really what a small firm that do by comparison
 with a large firm or other firms. We are talking
 about -- may I take the case of a dealer whose



1 is something that they have studied and
2 that since it has come out has worked well.
3 Now, if we gather together in Canada all those
4 people who do not belong to the Ontario syndicate
5 and went to the Province of Ontario there are
6 too many big guns, I suggest, in the investors'
7 syndicate to make it worth their while to
8 talk to us and I would agree with them. They
9 have only got so much time to spend on these
10 things and if they are happy and they have
11 got the majority in there, that is fine.
12 The fact is that the Bank of Canada have
13 come upon a concept of distribution for a
14 non-competitive underwriting which seems to
15 fill the bill. Security dealers in general
16 are very happy, I think, with this broadening
17 of the market which has developed through the
18 Bank of Canada's efforts to go after the firm
19 bonds and then have the local dealer in
20 Vancouver, for example, take a trip to Ottawa
21 occasionally and tell them in spite of how
22 his reports have been made his business is
23 going up and doing better and better but you
24 get a little more share of this thing. We
25 must recall that he has to make a report after
26 each distribution showing how many bonds he
27 had, where those bonds went, what he has done
28 with them, have they been sold retail
29 or if they have been sloughed off to a bank
30 and it becomes quite an honourable system.
We are talking again, I would point out, --
at least the thing that appeals to my view
about this whole thing is the word "non-
competitive". We are not talking about

is something that they have wanted and
that since it has come out it was well.
Now, if we gather together in Canada all those
people who do not belong to the Ontario Association
and want to the Province of Ontario there are
too many big ones, I suppose, in the investment
syndicates to make it worth their while to
talk to us and I would agree with that. They
have only got so much time to spend on the
things and if they are busy and they have
got the authority in power, that is true.
The fact is that the Bank of Canada have
come upon a concept of a corporation for
non-competitive underwriting which seems to
fill the bill. So they have in a way
and very happy, I think, with this understanding
of the market which has been established through the
Bank of Canada's efforts to do better than
boards and that have the local boards
Vancouver, for example, and a lot of others
occasionally and tell you in a way of the
his reports have been made in a business in
going up and doing better and better and you
get a little more about it. I think we
must realize that he has to work a network either
each institution showing how they should be
used, where there should be. What he has to do
with them, have them be a little more
or if they have been established in a bank
and it becomes quite an organization in itself
he are talking about, I would believe, as
as I see.



1 anything that is of a competitive nature
2 at all.

3 COMMISSIONER MACKINTOSH: And would
4 that include Canada's, the larger provinces
5 and, what -- three or four metropolitan
6 areas?

7 MR. CLARKE: That is relatively
8 correct, sir, yes.

9 COMMISSIONER MACKINTOSH: It should
10 not go down lower?

11 MR. CLARKE: (Oh no. We are talking
12 really about individual non-competitive
13 situations.

14 COMMISSIONER MACKINTOSH: It would
15 not include all the provinces, would it?

16 MR. CLARKE: I am trying to recall.
17 I think Nova Scotia in recent years has
18 called for competitive bidding on their bonds.
19 I might be wrong. Manitoba, I do not think
20 now, has a competitive situation.

21 COMMISSIONER MACKINTOSH: I don't
22 know, I was just trying to get the picture.

23 MR. CLARKE: By and large this is
24 what it would encompass.

25 COMMISSIONER LEMAN: Mr. Chairman,
26 could we talk a little bit about the second
27 paragraph also? There seems to be an admission
28 that maybe conditions are not quite happy for
29 what the writers believe would be desirable
30 development, the separation of the underwriting
function from the distribution function. By
what criteria would you measure the condition
that would rise to bringing this about?

MR. CLARKE: In answer to this, I think,



1 it may turn out to be a long story. If I
2 may think a second and try to make it short.

3 This is internal, of course, and
4 within the industry. Our business by and
5 large, I think, is becoming more and more
6 a business of security analysis and having
7 people dependent on you to steer them properly
8 and correctly. I think this comes about
9 because of the advent of mutual funds where
10 people seem very desirous to spend money
11 and have somebody else take all the worry
12 and concern. The great development of trust
13 companies where a man will go in with a
14 certain amount of money and rather than
15 be bothered with it take it in there and
16 have something done with it. Our business,
17 it seems to me, is developing this way that
18 we too are becoming more expert in particular
19 fields and it is therefore one step further,
20 which I think is coming, that the underwriting
21 branch of the business and the distribution
22 branch of the business will become wider apart
23 and I think finally the underwriters will be
24 working as wholesalers and the distributors,
25 the people who are dealing with the public
26 at large, will become the retailers.

27 This, I think, is what I have in this
28 suggestion in the second paragraph. The under-
29 writer at the present time is involved in
30 distribution himself too. He has retail people,
he has Province of Ontario bonds that are going
well and doing well. "Why give a profit to some
firm (it does not matter where they are) where
our own boys can handle the situation and do it



1 neatly and make money?" But it is necessary,
2 I appreciate, and has not that much bearing.
3 But as background it is what is happening.
4 But the concept of the whole industry, I think,
5 is coming apart from this concept and the
6 large underwriter will be not engaged so
7 much in distribution from now on as the
8 people who still rely on the retailer and
9 this concept of the business is to a greater
10 or lesser degree going on. But in England
11 for many years you have the wholesale and
12 the retail end of the business.

12 COMMISSIONER LEMAN: But are there
13 other certain measurements as to the arrange-
14 ments and that sort of thing that would make
15 the time ripe for such a division?

15 MR. CLARKE: I do not think I can
16 answer that question specifically, no. Where
17 it comes into what we are talking about again
18 the non-competitive situation, if it is
19 desired to distribute securities in Canada
20 and have the public at large hold these
21 securities, then something has to go some place
22 in this scheme of non-competitive situation
23 and the Bank of Canada, I suggest, again has
24 shown us a way in which to do this which --
25 let us be specific and say if the Province of
26 Ontario has got an underwriting, and directed
27 an underwriter to attempt to develop some scheme
28 such as the Bank of Canada has done this would
29 bring in and make available for distribution, some of
30 these securities dependent on what an individual
firm can do.

COMMISSIONER McKEEN: Mr. Clarke,



1 in referring to the Bank of Canada in the
2 happier relations that they have with all
3 the dealers, isn't the thing rather simplified
4 for them vis-a-vis the provinces for instance,
5 in that largely there have been plenty of bonds
6 to go around to satisfy everybody whereas in
7 the provinces they are more or less closed
8 at fixed amounts?

9 MR. CLARKE: I do not really think
10 I can agree specifically with that, sir, no.
11 I think we require additional money from just
12 about every government. We are all running
13 at deficits.

14 COMMISSIONER MacKEEN: As a general
15 rule, though, the provinces are closed at
16 \$100 million, \$50 million, whatever it may
17 have to sell and all your investing institutions,
18 your large ones, will take pro rata amounts
19 they get. It depends on the pricing of the
20 material.

21 MR. CLARKE: The Dominion Government
22 pretty well knows at the time of the issue
23 what the market is going to absorb.

24 COMMISSIONER MacKEEN: We have not had
25 too many open ends, if that is what you mean,
26 and their issues have been specific in size
27 particularly of late.

28 MR. CLARKE: I think the problem is
29 rather different.

30 MR. WILLIAMS: I think there have been
a number of experiences with Government of
Canada issues where dealers wanted more than
they could get because there was a limit to
the amount.



1 MR. CLARKE: Yes, they have been mostly
2 limited amounts certainly of late.

3 THE CHAIRMAN: When was the last
4 occasion?

5 MR. CLARKE: Three weeks ago.

6 THE CHAIRMAN: By the way, a suggestion
7 has been made to us on a prior occasion informally
8 that there should be an S.E.C. established for
9 the whole of Canada -- a Securities Exchange
10 Commission similar to that in Washington. Have
11 you any views on the advisability of establishing
12 an S.E.C. for the whole country?

13 MR. WILLIAMS: Obviously, neither
14 Mr. Clarke nor I are in a position to speak
15 for our association or for the members as
16 a whole because it has not been discussed.
17 However, I might say that the B.C. Bond
18 Dealers and Investment Dealers and the
19 stock exchange have been extremely interested
20 in the Provincial Government's new Securities
21 Act, which is much more stringent, and on the
22 whole I think the members of our association,
23 and the others I have mentioned, have been
24 strongly in favour of the effect of the new
25 Securities Act to protect the investing public,
26 and if they have that philosophy, which I am
27 sure they have -- although, I cannot speak
28 for them officially -- if a Securities Exchange
29 Commission would not hamstring the business
30 but would protect the investing public, I
doubt if they would have any serious objections.
There have been various objections by some
dealers to the Securities Exchange Commission
in the United States possibly because of how



1 far it went and the expense it put some
2 dealers to in providing the information
3 requested. The new Securities Act of British
4 Columbia requires far more information, but
5 the associations have been in favour of it,
6 and their philosophy would probably be in
7 favour of anything that would tend to protect
8 the investing public.

9 COMMISSIONER MACKINTOSH: Could I
10 ask whether the experience of the British
11 Columbia Bond Dealers was made available to
12 the province in drafting this Act, in consultation?

13 MR. WILLIAMS: The B.C. Bond Dealers
14 and Investment Dealers and the Vancouver
15 Stock Exchange had representation -- and I
16 can speak with authority because I was the
17 representative of the B.C. Bond Dealers --
18 and had probably three meetings with officials
19 of the government in discussing the proposed
20 amendments. So, we have been willing to
21 co-operate and have co-operated with the
22 government in that regard.

23 COMMISSIONER MACKINTOSH: Have you
24 given any thought to how monetary policy in
25 its various phases has affected your business,
26 or do you ---

27 MR. WILLIAMS: It is not a matter
28 that has been discussed, but obviously monetary
29 policy as it affects the price level of the
30 securities we sell will have an effect on the
business. If it is such as to not price us
down, and in increase levels -- it is not going
to have a favourable effect as far as the sale
of securities to the investing public is
concerned. Contrarywise, of course, if the



1 monetary policy is to reduce interest rates --
2 and that can be seen to be coming -- everybody,
3 then, wants something that is going to go up,
4 and it certainly helps the investment dealer
5 in selling securities.

6 COMMISSIONER MAKINTOSH: If you want
7 to get rid of something you think is going
8 to go down?

9 MR. WILLIAMS: That is quite right,
10 sir.

11 COMMISSIONER MACKINTOSH: Have you
12 any comments, or are you sufficiently in touch
13 with the way in which the Bank of Canada
14 manages the public debt? You had some kind
15 words to say for the Bank of Canada, and we
16 have heard other security dealers say unkind
17 words on management of the bond market or
18 the government debt.

19 MR. CLARKE: I think, sir, it should
20 be understood that our position here is a little
21 delicate, if I may say so, because we are talking
22 for just about every major firm in Canada,
23 who I suggest are much more capable of talking
24 for themselves than we are of talking for them,
25 because both Mr. Williams' and myself are small
26 local Vancouver operations, and I feel we would
27 be presuming too much to talk for the larger
28 firms which, because of the situation we find
29 ourselves in today, we would certainly be
30 doing that if we said it.

COMMISSIONER MACKINTOSH: We will be
getting expressions of opinion there, I suppose,
from the investment dealers.

MR. CLARKE: Yes, sir.



1 COMMISSIONER MACKINTOSH: But the
2 Commission is a little anxious to know how
3 they think on the Pacific Coast. We will
4 undoubtedly be subject to the criticism that
5 we listened at great length to the views of
6 Toronto on what was good for the Pacific Coast,
7 and we would like to hear anything that is
8 native and cogent.

9 MR. WILLIAMS: I think what Mr. Clarke
10 has said is quite right: It is not a matter
11 that has been discussed or debated by the
12 executive, and, as I mentioned in my preliminary
13 remarks, we are just bringing up a few comments
14 we think are strictly applicable to or primarily
15 applicable to British Columbia dealers, and
16 that most of us are members of the Investment
17 Dealers' Association, and when that association
18 presents its brief it will be speaking for us
19 and will probably be dealing with that type
20 of thing which we have not discussed and cannot
21 offer any official comments in regard to it.
22 Possibly some of the things in this brief,
23 some of the larger firms may not agree with
24 us completely. We speak for them, but I would
25 not want to claim they are unanimously in
26 favour of everything we have included in the
27 brief or what we have said in answer to your
28 questions. I think in general they will not
29 disagree too much. In the same way, some
30 of the local dealers may disagree with some
of the aspects of the Investment Dealers'
Association, although their brief is being
prepared on a much broader basis than ours,
after sending out questionnaires to all the

COMMISSIONER OF INVESTIGATION: But the

Commission is a little anxious to know how

undoubtedly be subject to the criticism that
we listened at great length to the views of
Toronto on what was good for the Pacific Coast,
and we would like to hear something that is
positive and cogent.

MR. WILLIAMS: I think what Mr. Quinlan

has said is quite correct. It is not a matter
that has been discussed or debated by the
Committee, and, as I mentioned in my preliminary
remarks, we are just bringing up a few comments.
We think are relatively specific to our preliminary
application to British Columbia districts, and
these most of us are members of the Investment
Bellevue Association, and when that association
meets the first of July will be speaking for us
and will probably be dealing with that type
of thing which we have not discussed and cannot
offer any official comment in regard to it.
Generally some of the things in this brief
some of the larger items are not agreed with
or completely. We speak for them, but I would
not want to state they are unanimously in
favor of everything we have included in the
brief or that we have said in answer to your
questions. I think in general they will not
disagree too much. In the same way, some
of the local districts may disagree with some
of the aspects of the Investment Bellevue
Association, although their brief is based

presented on a

been submitted



1 firms, which we did not do. As was, I
2 mentioned earlier, the brief we have submitted
3 was prepared by two of the members of our
4 executive and discussed at only two meetings
5 of the executive. They are more in the nature
6 random thoughts than a thoroughly completely
7 thought out brief. We hope, however, any
8 thoughts we have presented will be of some
9 interest to you and help you in your deliberations
10 across Canada.

11 THE CHAIRMAN:: Thank you very much,
12 Mr. Williams and Mr. Clarke. I am sure that
13 the discussion will be of very great benefit
14 to us in our deliberations, and undoubtedly
15 a number of interesting and important points
16 have been brought forward and discussed quite
17 fully. We appreciate your presence here this
18 morning representing your association, and I
19 thank you once again for your contribution.

20 There being no further briefs for
21 consideration this afternoon, the next hearing
22 of the Commission will be held in Salon A,
23 Hotel Vancouver, Vancouver, at 9.15 A.M.
24 tomorrow.

25 --- Adjournment.

26 -----

Royal Commission on Banking and Finance

Hearings
held at
Victoria

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BRITISH COLUMBIA BOND DEALERS' ASSOCIATION

P. O. Box 524,
Vancouver 1, B.C.

To: Royal Commission on Banking and Finance

This brief is directed to some of the problems of conducting an investment business in British Columbia.

1. Bank of Canada

(a) Trading of the Bank of Canada is complete by 3:30 p.m. Eastern Standard Time. The Bank will trade to 5 p.m. Eastern Standard Time with western dealers. The only information, pertaining to this trading by the Central Bank, that is available locally, is through branch offices of eastern dealers, through direct long distance contact with dealers in the Toronto-Montreal area and through the action of the Canadian bond market.

This lack of information makes local dealers reluctant to risk too great an inventory in bonds and thus does not assist the Bank of Canada in the establishment of a more national money market.

It is suggested that the local agent of the Bank of Canada have a trading department and be authorized to trade in the same manner as in the Toronto-Montreal area and that the period of trading be so timed that it is during business hours from coast to coast.

(b) Movement of Funds - Through evolution, the financial centers of Canada have become established in the large institutions located in the Toronto-Montreal area. Investment monies, available in these institutions, have originated in other parts of the country. The cost of local dealers doing business in these centers is increased owing to the cost of the movement of funds. Some arrangements could be made whereby either through the Bank of Canada or through cooperation with the chartered banks, par privileges could be established. Bank of Canada presently move bonds by wire - funds in size could be moved in a similar fashion.

2. Chartered Banks

(a) There is a strange unanimity of borrowing rates of all banks. Borrowing by dealers is not on a competitive basis at all. Many other industries are able to negotiate a rate of borrowing dependent on the reputation of the security offered. Investment dealers offer the best hypothecation, a minimum of administration to the banks, but no matter what their own reputation, are unable to negotiate competitive rates. The rates are set by the banks and are all the same.

(b) Daylight overdrafts should be on an hourly or half hourly basis instead of on a daily rate. Present charges are 1/250 whether for ten minutes or five hours. The rates of the banks are all the same. It is suggested that a rate of 1/1000 per hour would be more desirable.

P.O. Box 124,
Montreal 1, P.Q.

for Royal Commission on Banking and Finance

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This lack of information makes local dealers reluctant to risk too great an inventory in bonds and thus does not assist the bank in the establishment of a more national money market.

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Chartered Banks

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(b) Daylight overcharges should be on an hourly or half hourly basis instead of on a daily rate. Present charges are 1.50% whether for one minute or five hours. The rates of the banks are all the same. It is suggested that a rate of 1/10th per hour would be more realistic.



(c) 6% ceiling on chartered bank loans should not be increased. This present ceiling provides ample room to negotiate below that level and should be rarely employed. Borrowing above this rate could jeopardize the development of the country through increased failure of companies both large and small. It is apparent that the chartered banks are able to attract savings accounts at their present rates as is evidenced by the increase in reported savings, new branches and bond holdings.

3. Investment Dealers

New issues are offered through Banking Groups and Selling Groups. Clients of dealers not in these Groups are prevented from purchasing the security at the issue price unless they approach a dealer in one of these Groups. It is very difficult for a dealer not in these Groups to gain entry. This, in effect, is practicing restraint of trade. Similarly, new issues such as recent Province of Ontario, Quebec, Metropolitan Toronto and Manitoba Telephone - in spite of the desire of individuals to purchase these bonds through even branches of houses which are in the Banking or Selling Groups, if large orders are available through the financial institutions in the Toronto-Montreal area, people in British Columbia are denied the opportunity to purchase.

We appreciate that the underwriter is desirous of being relieved of the liability undertaken as rapidly as possible, at the greatest profit to himself. This is a result, historically in Canada, of the underwriter also being involved in distribution. It is to be hoped that at some time in the future these two functions might be separated.

We suggest that for all non-competitive underwriting, efforts should be made by the underwriters to develop a coast to coast distribution. Dealers in the different areas should have the opportunity to develop retail demand in their areas and have an opportunity to participate. It is appreciated that this would take time and effort to materialize to the point wherein the underwriters would have knowledge of and confidence in the dealers asking for participation and their ability to place. This could be established similar to the method presently in effect for distribution of Dominion of Canada issues by the Bank of Canada. The Bank of Canada, by offering part of the issue firm to recognized dealers, inviting to apply on a maximum basis for the balance and asking for record of distribution following delivery date, have developed records wherein they know, what dealers are interested in, and to what extent the dealers have the ability to place the issues. A copy of a draft prospectus should be available to the dealers being offered participation.

Such a method of offering new issues would result in much wider distribution of the security and greater participation by the people of Canada as a whole.

(c) the ceiling on chartered bank loans should not be increased. This present ceiling provides ample room to negotiate below that level and should be rarely employed. Borrowing above this rate could jeopardize the development of the country through increased failure of companies both large and small. It is apparent that the chartered banks are able to attract savings accounts at the present rates as is evidenced by the increase in reported savings, new deposits and bond holdings.

How issues are offered through Bank of Montreal, National Trust, and other dealers not in these groups are prevented from purchasing the security at the issue price unless they approach a dealer in one of these groups. It is very difficult for a dealer not in these groups to gain entry. This, in effect, is practicing restraint of trade. Similarly, new issues such as recent Province of Ontario, Quebec, Metropolitan Toronto and Manitoba telephone - in spite of the desire of individuals to purchase these bonds through over-the-counter houses which are in the Bank of Montreal, National Trust, and other dealers through the financial institutions in the Toronto-Montreal area, people in British Columbia are denied the opportunity to purchase.

We appreciate that the underwriter is desirous of being paid of the security investment as rapidly as possible, at the greatest profit to himself. This is a result, naturally in Canada, of the underwriter also being involved in distribution. It is to be hoped that at some time in the future there will

be an effort for all non-competitive underwriting, efforts should be made by the underwriters to develop a coast to coast distribution. Dealers in the different areas should have the opportunity to develop retail accounts in their areas and have an opportunity to participate. It is suggested that this would take time and effort to underwrite in the hands wherein the underwriters would have knowledge of and confidence in the dealers adding for participation and their ability to place. This could be accomplished earlier to the market, especially in effort for distribution of securities of bond issues by the Bank of Canada. The Bank of Canada, by offering part of the issue first to recognized dealers, inviting to apply on a maximum basis for the balance and asking for record of distribution following delivery date, have developed records which they know, what dealers are interested in, and to what extent the dealers have the ability to place the issues. A copy of a draft prospectus should be available to the dealers being offered participation.

Such a method of offering new issues would result in much wider distribution of the security and greater participation by the people of Canada.



BRITISH COLUMBIA BOND DEALERS' ASSOCIATION

OBJECTS

The objects of the Association shall be:-

- (a) To promote the general welfare and influence of bond dealers, financial institutions, and investors generally interested in Government, Municipal and Corporation securities, and so safeguard and better provide for their protection.
- (b) To secure united protective action and to co-operate with Municipal and other Corporations in regard to legislation and methods of sound financing.
- (c) To afford opportunity for discussion and personal exchange of views on subjects of importance as to the financial and commercial interests of the Dominion of Canada, which affect the investing public.
- (d) To afford mutual protection against loss by crime or through illegal or irregular action of Municipal or other Corporations in their financing, or through irresponsible dealers in investment securities.
- (e) It is expressly declared that this Association is not formed for the purpose of affecting the price of Government, Municipal or Corporation securities, nor to enable the members of the Association to form or effect combines, agreements or arrangements tending to affect the price of Government, Municipal or Corporation securities, nor shall the Association at any time discuss or take action upon questions which would in any way interfere with free and fair competition among its members in the business of buying, selling and dealing in Government, Municipal or Corporation securities.

Members:

- | | |
|--|--|
| *A. E. Ames & Co. Ltd. | *McLeod, Young, Weir & Co. Ltd. |
| B.C. Land & Investment Agency Ltd. | *Nesbitt, Thomson & Co. Ltd. |
| *B.C. Land & Inv't. Agency Ltd. | Odium Brown Investments Ltd. |
| Brink, Hudson & Lefever Ltd. | Okanagan Investments Ltd. |
| Burleigh & Partners Ltd. | C. M. Oliver & Co. Ltd. |
| *Burns Bros. & Denton Ltd. | *Osler, Hammond & Nanton Ltd. |
| T. H. Burns & Co. Ltd. | Pemberton Securities Ltd. |
| Mr. S. G. Cox | *Pemberton Securities Ltd. (Victoria) |
| J. B. Crane & Co. Ltd. | *W. C. Pitfield & Co. Ltd. |
| Davidson & Co. Ltd. | *W. C. Pitfield & Co. Ltd. (Victoria) |
| *Doherty Roadhouse & Co. | Thomas B. Read Co. Ltd. |
| Dominion Securities Corp. Ltd. | *James Richardson & Sons |
| *Dominion Securities Corp. Ltd. (Victoria) | *James Richardson & Sons (Victoria) |
| Elphick Securities Limited | *Royal Securities Corp. Ltd. |
| *Gairdner & Co. Ltd. | Samis & Co. Ltd. |
| Hagar Investments Ltd. | Sheppard & McIntosh Ltd. |
| Lampman, Laidlaw Securities Ltd. | N. R. Whittall Ltd. |
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The objects of the Association shall be:-

(a) To promote the general welfare and influence of trade, commerce, industry and investment generally in the Dominion of Canada and to secure and better provide for their protection.

(b) To secure united protective action and to co-operate with municipal and other corporations in regard to legislation and methods of sound financial policy.

(c) To afford opportunity for discussion and personal exchange of views on subjects of importance as to the financial and commercial interests of the Dominion of Canada which affect the investing public.

(d) To afford mutual protection on matters of interest by means of a fund or funds of investment action of municipal or other corporations in their financial or financial interests in business securities.

(e) It is expressly declared that this Association is not formed for the purpose of affecting the price of Government, Municipal or Corporation securities, nor to assist the members of the Association to form or assist companies, associations or organizations tending to affect the price of Government, Municipal or Corporation securities, nor shall the Association at any time discuss or take action upon questions which would in any way interfere with the free and fair competition among its members in the business of buying and selling and dealing in Government, Municipal or Corporation securities.

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Royal Commission on Banking and Finance

Hearings
held at
Vancouver

Vol.

2

Date.

March 13, 1962



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Toronto, Ontario

Vancouver, B.C.
Tuesday, March 13, 1962

ROYAL COMMISSION ON BANKING

AND FINANCE

I N D E X

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ROYAL COMMISSION ON BANKING
AND FINANCE

Hearings held at Vancouver,
B.C., on Tuesday,
March 13th, 1962.

THE COMMISSION

The Honourable Dana Harris Porter
Chief Justice of Ontario
Toronto, Ontario - Chairman

Mr. W. Thomas Brown, M.B.E.
Investment Dealer,
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.
Banker,
Toronto, Ontario

Mr. Gordon L. Harrold
Agriculturist,
Calgary, Alberta

Mr. Paul H. Leman
Corporation Executive
Montreal, Quebec

Mr. John C. MacKeen
Corporation Executive
Halifax, Nova Scotia

Dr. W.A. Mackintosh
Vice-Chancellor
Queen's University
Kingston, Ontario

Mr. H.A. Hampson

- Secretary

Mr. Gilles Mercure

- Joint Secretary



1 --- At 9.15 A.M. the hearing resumed.

2 THE CHAIRMAN: It is with very great
3 pleasure that we now open the meeting of the
4 Royal Commission on Banking and Finance in the
5 City of Vancouver. The first meeting of the
6 Commission was held yesterday in Victoria and
7 today we are ready to proceed in Vancouver.

8 The first brief to be submitted
9 today is that of the Vancouver Stock Exchange
10 represented by Mr. Van Luven and Mr. Sweeney.
11 Mr. Van Luven will you proceed?

12 MR. VAN LUVEN: Well, Mr. Chairman,
13 our brief has been presented in the required
14 number of copies and at the suggestion of one
15 member of the Commission we submitted an
16 addition to the brief last Friday which I
17 think was presented to the Commission and
18 I think that this sets out certainly some of
19 the thoughts and opinions of the Board of
20 Governors of the Vancouver Stock Exchange.

21 THE CHAIRMAN: How do you wish to
22 proceed? Do you wish to read from the brief?

23 MR. VAN LUVEN: I have not been
24 instructed on this matter, Mr. Chairman. Would
25 you care that the brief be read or what is your
26 procedure?

27 With your permission I will read the
28 summary to the brief.

29 THE CHAIRMAN: Oh yes, there is a summary
30 here.

(See Volume 2(a)).

EXHIBIT 3: Brief, additional brief
and summary of Vancouver
Stock Exchange.

THE CHAIRMAN: Any questions of a general



1 nature to begin with from the Commission?

2 MR. BROWN: Mr. Van Luven, I wonder
3 if for the benefit of the Commission you would
4 care to outline the general qualifications for
5 membership and for retaining membership in the
6 Vancouver Stock Exchange and also along the
7 same line the requirements for listing companies?

8 MR. VAN LUVEN: Yes. The requirements
9 for membership, I believe, are similar in all
10 major exchanges in Canada. Firstly, members
11 are elected by the general membership. Before
12 they are elected, of course, they are screened
13 by a Membership Committee for their reputation,
14 ethics and general business practices. They
15 must, of course, purchase a seat on the Exchange
16 and they must have a minimum of \$30,000 working
17 capital over and above the assets necessary
18 to operate the business.

19 Members retain their membership only
20 so long as their ethics remain in good standing
21 and only so long as their working capital
22 meets the minimum requirements and generally
23 as long as they maintain the good reputation
24 of the Exchange of which they are members.

25 Companies are listed on the Stock
26 Exchange only upon application and paying of
27 a filing fee. No companies are listed without
28 the proper application being made or initiated
29 by the company and they are screened very
30 carefully by the Exchange's solicitors and
passed by the Exchange Listing Committee
and then subsequently the Exchange Board
of Governors and they must meet stringent
requirements depending, firstly, on whether
they are a speculative mining or oil company

to know the Commission?

Mr. Van Dusen, I wonder

if you are familiar with the Commission you would
like to see the list of the Commission for
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1 or whether they are to be classed as an
2 industrial company but at any rate they
3 must be adequately financed, the shares must be
4 properly distributed in a free market and
5 a free market maintained and they remain listed
6 only so long as all the regulations of the
Exchange are lived up to.

7 COMMISSIONER LEMAN: Mr. Van Luven,
8 would you develop a little more your thoughts
9 about the advantages or disadvantages of a
10 national exchange with numerous trading floors
11 as against the strictly regional exchange?

12 MR. VAN LUVEN: My reasons against
13 a national stock exchange are similar to my
14 reasons for not having a national securities
15 act. As an easterner myself I realize how
16 far Vancouver is from the so-called centre
17 of Canada. I feel that a central stock exchange
18 or one national stock exchange might tend to
19 discriminate against a province or against a
city three thousand miles away.

20 Many of our local situations here
21 have become national companies only because of
22 the help given by the Vancouver Stock Exchange
23 and its members being close to the actual
24 development of the company. There are numerous
25 examples of that but I do feel if the exchange
26 was administered from central Canada, Ontario
27 or Quebec, that the small developments may
not draw the interest of the executives of such
an exchange.

28 COMMISSIONER LEMAN: Do you see any
29 advantages offsetting these disadvantages you
30 are describing?



1 MR. VAN LUVEN: I cannot see any
2 advantages that are not already in existence
3 and I cannot see that it would improve the
4 situation.

5 COMMISSIONER LEMAN: Can you visualize
6 a system of automatic listing on the large eastern
7 exchanges provided the requirements were met when
8 they were first put up on your board here?

9 MR. VAN LUVEN: I think that is almost
10 in effect now. Certainly listings on an eastern
11 exchange are considerably easier after the
12 stock has been listed and seasoned on this
13 exchange. I cannot imagine an automatic listing
14 of some kind screened by a so-called national
15 exchange.

16 COMMISSIONER LEMAN: I am talking
17 about the situation where it would be a national
18 exchange with trading floors.

19 MR. VAN LUVEN: I think it would be
20 a disadvantage, certainly as far as British
21 Columbia is concerned. The cost of the listing
22 on an eastern exchange is considerably greater
23 than it is in British Columbia and it is possible
24 the smaller companies may not be able to afford
25 that fee -- certainly in the first instance in
26 the case of the small mining or oil companies.

27 COMMISSIONER LEMAN: Do you have with
28 you and readily available some figures showing
29 what are the respective proportions of inter-
30 listed stocks that are on the Vancouver Exchange
as against more purely local ones?

MR. VAN LUVEN: Certainly the great
proportion of the industrial stocks are
inter-listed, possibly 65 to 70%. Of mining
and oil stocks there would be approximately

I cannot see any
evidence in the case

and I cannot see any of the evidence

CONFIDENTIAL INQUIRY: On your information

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and changes provided and arrangements were made when

they were first put on your board there

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of the committee of a new one and that

and you think I am in time to think

exactly as the committee has decided that the



1 20 to 25%.

2 COMMISSIONER MACKINTOSH: Mr. Van Luven,
3 you mentioned in your brief the special consideration
4 that the exchange has had for development companies.
5 I wonder if you would expand that as to what
6 the exchange does for them and why are they the
7 special feature on the Vancouver Stock Exchange.

8 MR. VAN LUVEN: I do not think the
9 Vancouver Exchange is unique in helping develop-
10 ment companies. Certainly it is unique in helping
11 those in western Canada. In addition to the
12 requirements laid down by the exchange, of course,
13 knowing the people behind these various companies
14 and also having access to information pertaining
15 to the district in which such mining or
16 developments (I am speaking of speculative
17 stocks) are located has helped the exchange
18 through its members raise capital for the
19 financing and development of these local
20 industries.

21 Again enlarging briefly, if they
22 attempt to finance these companies back east
23 entirely it may not be possible to raise the
24 interest certainly in the initial financing.

25 COMMISSIONER MACKINTOSH: From what
26 you say it is the members of the exchange?

27 MR. VAN LUVEN: Oh yes.

28 COMMISSIONER MACKINTOSH: No primary
29 financing through the exchange?

30 MR. VAN LUVEN: Not through the
exchange itself, no.

COMMISSIONER GIBSON: Mr. Van Luven,
would you mind saying a bit about the finance
side on the exchange? You have said something



1 about the way in which the exchange promotes
2 local development. Now, where does the money
3 come from in the main? Is much of the money
4 that comes into the exchange local money, does
5 quite a lot get filtered in from, let us say,
6 the United States or other parts of Canada?
7 Would you make a few comments on this side of
8 it?

9 MR. VAN LUVEN: Certainly in the initial
10 financing the money does come, I would say, from
11 British Columbia and possibly Alberta. As the
12 development of the company increases, as it
13 becomes better known, of course, money then
14 comes from the east.

15 I have no figures of what actually
16 comes from the United States and I am talking
17 now about comparatively small companies but
18 I do not think a great deal comes directly
19 into British Columbia from the United States.

20 COMMISSIONER GIBSON: I take it from
21 what you say that in your view the Vancouver
22 Exchange would have a significant part in
23 financing smaller businesses? In other words,
24 finances for businesses who find it difficult
25 to get funds in other ways?

26 MR. VAN LUVEN: That is correct.

27 COMMISSIONER GIBSON: Could you elaborate
28 on this? It is very interesting to the Commission
29 to know how small are the types of financing
30 that are done?

MR. SWEENEY: May I say, in my
experience these smaller companies are starting
with a registration permitting them to raise
\$50,000 or \$60,000, or something like that,

in which the exchange is made
... how does the money
come from the bank? Is it the money
that comes into the exchange local money, does
it get a lot of money in the bank, let us say,
and then it goes on other forms of currency?
Would you like to see some of this side of

the Van Linder? Certainly in the United States
... the money does come, I would say, from
... the bank and the local money, in the
... of the currency, money first
... the money, money first

I have no objection to the money
... the money, money first
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1 to employ engineers and develop their properties
2 to a point. If that point proves optimistic,
3 then they want more money. In the meantime,
4 they have distributed their original amount,
5 and perhaps have raised that money. It will
6 show in what you might call over the counter
7 trading, and so forth, at what point the shares
8 are trading at -- there is a level of market.
9 From there, again, they have now got an
10 engineer's report indicating they own property,
11 and have got some value, and that they are in
12 a position again to get registration to issue
13 more shares. On this point they will probably
14 be able to get an underwriter and somebody to
15 take up options which will indicate the amount
16 of money the engineer suggests they require.
17 In the interim they have probably shown enough
18 by owning property and by the engineers' report
19 to indicate they have got a worthwhile property.
20 The lawyers say it is a legally established
21 company, and that if the proper people, and
22 so forth, are behind it they could get a listing
23 on the exchange.

24 From this point there is free market
25 and an open market, and they are able to judge
26 at what prices they can issue new stocks. Then,
27 with the free market there is no doubt that
28 the exchange helps them considerably in giving
29 the underwriter a chance to handle his initial
30 underwriting, and, of course, again with the
free market and the interest the public can
get out of the news coming from that property,
it might put the stock at a price where the
options can be taken up and more money can flow

and develop their projects.
It must prove optimistic,
been they want more money. In the meantime,
they have a substantial share of the amount.
and business is not doing well. It will
be in the year 1960, after the coming
of the new year, at least point was made.
The first of -- there is a level of market.
from there, again, they have not got an
engineers' reports suggesting they can do so.
and have got some value, and then they are in
a position to get a contribution to their
work. On this, I think that will, possibly
be able to get an understanding of the way
the up to date with it. All together the amount
of money, the engineer suggests they would
in the future. They have probably spent enough
on the property and by the way, the report
to indicate that have got a reasonable amount.
The engineers say it is a fairly big amount.
company, and that is the proper way to do it.
to have, the problem is they want to be able
on the way to
that is the point where it is that
and an open market, and they are able to find
it will be a big one, and the new market. Then,
when the three market are in the way that
the exchange rate, then, could be in the way
the understanding of the market is to be in the way
the understanding of the market, and the way that
from the market and the interest the public can



1 into the treasury.

2 Basically, I think in this kind of
3 operation that is where the stock exchange is
4 most valuable to the development of these
5 properties.

6 THE CHAIRMAN: Would you say the
7 original money that goes into the property
8 at the early stages of development is local
9 money, or is it ---

10 MR. SWEENEY: I would say it does
11 not follow, because it is probably a syndicate --
12 originally a syndicate, and then changed into
13 a public company. Of course, the superintendent
14 of properties and the registrar of companies
15 come into that picture, and again that is where
16 the original money comes from and it depends
17 what it develops as to whether the company
18 can qualify for listing.

19 THE CHAIRMAN: I suppose the original
20 risk capital is raised by various means?

21 MR. SWEENEY: Yes.

22 THE CHAIRMAN: Prior to listing?

23 MR. SWEENEY: Oh, definitely. The
24 listing picture must be backed by engineers'
25 reports and owning property: Not just a bank
26 account or cow pasture.

27 COMMISSIONER GIBSON: I take it you
28 are talking mainly about mining and oil
29 companies?

30 MR. SWEENEY: Yes.

COMMISSIONER GIBSON: What about
samll industrial and commercial companies:
What is the smallest size that can be listed
and traded on the stock exchange?



I think in this kind of
connection that is where the story exchange
that is valid to the development of these
characters.

The O'Connells would you say the
original money that was there the property
of the family, and the money that is lost

I would say it was
not really a problem of it being a gift and --
really a problem of it being a gift and --
the money that was there, and the money that is lost
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The O'Connells would you say the
original money that was there the property
of the family, and the money that is lost



1 MR. SWEENEY: Let us put it around
2 distribution here: Number one, we would be
3 very careful there was distribution and that 51%
4 of the stock was not in the hands of four or five
5 directors. So, that is the first broadening
6 picture there. The second one would be their
7 history of operation, whether they were earning
8 money or whether it was a successful operation
9 or not. If all those things are in order, and
10 the lawyer says they are a legally constituted
11 company, generally speaking they are in line
12 for consideration to be listed.

13 COMMISSIONER GIBSON: What would be
14 a sort of small minimum size?

15 MR. SWEENEY: I could perhaps say
16 there ought to be at least 200 shareholders.

17 COMMISSIONER GIBSON: What does that
18 mean financially -- a quarter of a million
19 dollars -- that would be small, wouldn't it?

20 MR. SWEENEY: I won't tie it down
21 to meaning a quarter of a million dollars. I
22 am only stating by the stability of the company:
23 First, you must remember it is a public company
24 and must have arrived at some stage of develop-
25 ment, or they could not get registration.

26 COMMISSIONER MacKEEN: There would be
27 a difference between an industrial, and the
28 mine or oil well in that you would require a
29 record of earnings on the industrial?

30 MR. SWEENEY: Yes.

MR. SWEENEY: And the mine
or oil well would still be in the prospect
stage?

MR. SWEENEY: Oh, definitely.



1 COMMISSIONER BROWN: On the other hand,
2 might there not be some new companies starting
3 up where registration would be given before it
4 has had an opportunity to develop a history
5 of earnings? I am thinking of things like
6 perhaps Rothman's.

7 MR. SWEENEY: I don't know how strict
8 you want to be on that, but you have arrived
9 certainly at a public company, and the original
10 syndicate or the promoters in the original
11 company must have had some experience and
12 must have shown some indication of progress.

13 MR. VAN LUVEN: Rothman's, I think,
14 would be a rather unique situation in that
15 it is a worldwide organization.

16 COMMISSIONER BROWN: The point I
17 was raising is that there are exceptions to the
18 rule ...

19 MR. VAN LUVEN: Oh, yes.

20 COMMISSIONER BROWN: ... that it is
21 only after years of earnings that you get a
22 listing?

23 COMMISSIONER GIBSON: Have there been many
24 examples of non-resident controlled companies doing
25 listing and doing financing of new issues through
26 the Vancouver Stock Exchange? This is one of
27 the matters of general interest, as you know,
28 to persuade more non-resident controlled companies
29 to issue stock in Canada. I was wondering if
30 it occurred in Vancouver?

MR. VAN LUVEN: Listing, yes. Financing,
not too much. In the case of listing, we could
quote examples of companies such as Standard
Oil of California, U.S. Plywoods, and so on,



1 that have listed in Vancouver. Since these
2 companies have been listed they have not done
3 any financing. There is always a possibility
4 that they will, of course.

5 COMMISSIONER GIBSON: Is there much
6 local demand or interest in this subject of
7 acquiring shares in such companies?

8 MR. VAN LUVEN: Not too much. The
9 trading figures of these companies that are also
10 listed on the New York Stock Exchange is very
11 small. I would point out that these American
12 companies do list for the advertising value,
13 and also I think that is a compliment to their
14 shareholders in providing transfer facilities
15 in Canada.

16 COMMISSIONER BROWN: At paragraph 17
17 of your brief you talk about the succession
18 duty laws as apply in Ontario and Quebec, and
19 presumably you would wish to amend that to
20 the effect that those succession duties are
21 avoided if there is a transfer office west
22 of Ontario?

23 MR. VAN LUVEN: That is correct, yes.

24 COMMISSIONER BROWN: It reads as
25 though ---

26 MR. VAN LUVEN: Yes; it is west. I
27 have had that pointed out to me since this brief
28 was prepared.

29 COMMISSIONER BROWN: Following that, there
30 is another question and that is, is there any
evidence of any impact of investor interest in
companies where such transfer facilities do not
exist, and therefore succession duties are applicable?

MR. VAN LUVEN: Would you qualify that?



1 Do you mean, are the sharholders ...?

2 COMMISSIONER BROWN: I am thinking of
3 companies that do not offer transfer facilities
4 west of Ontario, and therefore if investors
5 buy those shares they are subject to Ontario
6 and Quebec succession duties: Does this
7 affect the demand for such securities in
8 British Columbia?

9 MR. VAN LUVEN: Yes, I would say it does.
10 Certainly, by some investment dealers at any rate,
11 they draw it to the attention of their clients
12 that this situation does exist, and they should
13 consider this point before they purchase these
14 securities that are not transferable west of
15 Ontario.

16 COMMISSIONER MacKEEN: In the end
17 result, Mr. Van Luven, they would not actually
18 have to pay any more; it would be cumbersome
19 to go through the process because you have to
20 pay the federal part, and if you have to pay
21 Ontario, that would be deductible from the
22 federal amount due?

23 MR. SWEENEY: Isn't it only in part?

24 THE CHAIRMAN: Yes.

25 MR. VAN LUVEN: It is only in part.

26 COMMISSIONER BROWN: Would you care
27 to comment on the desirability or otherwise of
28 establishing an S.E.C. type of regulatory authority
29 in Canada?

30 MR. VAN LUVEN: I do comment on that.

COMMISSIONER BROWN: You mentioned it
briefly.

MR. VAN LUVEN: Yes. My reason for not
establishing an S.E.C. type of authority is very



1 much the same as for not establishing a national
2 stock exchange, that approach by the local
3 developers to a local authority is, in my
4 opinion, much more desirable than dealing with
5 a body some 3,000 miles away, even though it may
6 have a branch office in British Columbia. For
7 example, we run into exactly the same problem
8 with the banks out here when it comes to financing,
9 even though they have supervisors and assistant
10 general managers, where the decision is still
11 made in eastern Canada. To me, it falls within
12 the same sphere as banks, national securities act,
13 national stock exchange, and so on.

14 COMMISSIONER BROWN: Have you any
15 comments on what you might regard as good and
16 bad features of the S.E.C? There must be some
17 advantages to an S.E.C. type of operation?

18 MR. VAN LUVEN: I have had a little bit
19 of experience with the S.E.C., and to put it briefly,
20 I don't think that the administration of the S.E.C.
21 falls within the Canadian's opinion of British
22 justice. Mind you, they have a much more difficult
23 problem in the United States than we have here:
24 They are dealing with a great many more people
25 and companies. However, the S.E.C. is inclined
26 to take the attitude that they are right -- they
27 must be right: They will order a member of a
28 stock exchange suspended or a stock de-listed
29 and they do not consider absolutely necessary
30 to state a reason why such action is taken.
We have even had cases in Canada where certain
people have been indicted by the S.E.C. Through
the newspapers the people up here have learned
they have been indicted, but they have never been



1 able to find out the reason why.

2 COMMISSIONER GIBSON: Perhaps it would
3 be better not to use the phrase "S.E.C." and just
4 talk in terms of whether it is desirable, or what
5 the advantages would be of some kind of national
6 minimum standards in the sphere of security
7 regulation, because the S.E.C. has a personality
8 of its own, as I gather from your remarks and
9 from other people's. Could you talk to that
10 rather than the S.E.C. bit?

11 MR. VAN LUVEN: Well, certainly a national
12 securities act would provide uniformity in securities
13 laws which does not exist now. However, I would
14 suggest a closer liaison between the Provincial
15 Securities Act may be more desirable.

16 THE CHAIRMAN: Why is it that there is
17 not greater liaison between them? I understand
18 the Securities Commissioners meet more or less
19 regularly ...

20 MR. VAN LUVEN: They do.

21 THE CHAIRMAN: ... from all the provinces
22 and discuss their respective acts and procedures
23 and attempt to arrive at a more uniform procedure.
24 What is the stumbling block?

25 MR. VAN LUVEN: The stumbling block, of
26 course, is the provincial governments. Some take
27 a much more serious view of the securities situation
28 than others.

29 THE CHAIRMAN: I suppose that depends
30 upon the nature of the business that there might be
31 in the province?

32 MR. VAN LUVEN: It could be.

33 THE CHAIRMAN: If a province has a great
34 deal of natural resource development, they have very



1 special problems?

2 MR. VAN LUVEN: That is right. In some
3 provinces there is virtually no securities administration,
4 and it is most difficult for those people charged
5 with that responsibility to bring their rules and
6 regulations in line with a province that has a strong
7 securities administration.

8 THE CHAIRMAN: Well, the other aspect of
9 securities legislation, or the whole problem of
10 securities control is the administration. It is
11 all very well to have a perfect act.

12 MR. VAN LUVEN: That is perfectly true.

13 THE CHAIRMAN: But the question of the
14 problem of administration arises, that if the
15 act is a Canadian act administered from Ottawa,
16 are you going to have the most effective administration
17 when the activities that are to be regulated cover
18 an area of more than 3,000 miles? Isn't that one
19 of the problems?

20 MR. VAN LUVEN: Well, certainly, no act
21 is any better than its administration. I think
22 every act, of course, that is laid down by
23 parliament affects the general public one way or
24 another, and the general public should have access
25 to some level of administration of that act.

26 THE CHAIRMAN: The administration of a
27 securities act involves enquiries of various kinds,
28 quasi-judicial enquiries by the Securities
29 Commissioner.

30 MR. VAN LUVEN: It does.

THE CHAIRMAN: And a great deal of discretion
has to be used.

MR. VAN LUVEN: That is right. There are
personalities involved in this situation. We were



1 talking about financing mining and oil companies:
2 A great deal does depend upon who the people
3 are behind such a company, notwithstanding engineers'
4 reports and projections as to future earnings,
5 and so forth.

6 THE CHAIRMAN: And in a province where
7 there is a great deal of mining development,
8 the Securities Commissioner would no doubt be
9 a person who was familiar with every type of
10 development?

11 MR. VAN LUVEN: He should be.

12 THE CHAIRMAN: And would not only attempt
13 to prevent fraud but he would also attempt to
14 provide ways and means of not stifling development?

15 MR. VAN LUVEN: That is correct.

16 THE CHAIRMAN: That is the other side
17 of the picture which might not be understood fully
18 from some central position.

19 MR. VAN LUVEN: That is the basis of my
20 argument.

21 COMMISSIONER LEMAN: Mr. Van Luven,
22 your brief refers to the time differential between
23 the east and British Columbia. Would you say that
24 the Vancouver Stock Exchange derives the net
25 advantage from the time differential or a net
26 disadvantage?

27 MR. VAN LUVEN: We do operate for one
28 hour in the afternoon which is additional to the
29 time the eastern exchanges operate. It has been
30 our experience -- and Mr. Sweeney will confirm
this -- over the years that the afternoon trading
is usually confined to locally listed stocks.
So, while I do not think the time differential
is a disadvantage it is not an advantage either.

believe, these things, things and companies:
A great deal more depends upon the people

resorts and projects in the future economy.

and so forth.

Mr. GARDNER: And in the future when

there is a great deal of mining development,

the Government's economic policy would be

to develop the country with every type of

Mr. GARDNER: It should be

Mr. GARDNER: It would not only affect

to the extent that it would affect the

development of the country in the future?

Mr. GARDNER: That is correct.

Mr. GARDNER: That is the object of

of the Government, which is to develop the

the country in the future.

Mr. GARDNER: That is the basis of my

and that is the basis of the Government's

and that is the basis of the Government's

the Government's policy in the future.

and that is the basis of the Government's

Mr. GARDNER: That is the basis of my

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1 COMMISSIONER LEMAN: Has it ever happened
2 to your knowledge that some financial information
3 could have just emerged after the closing of the
4 eastern exchanges that would affect trading in
5 the stock?

6 MR. VAN LUVEN: I have only seen in the
7 last five years one instance of that which involved
8 a merger of two large corporations.

9 COMMISSIONER LEMAN: Are there patterns
10 of behaviour by companies in the east that would
11 prevent such a thing happening? It seems strange
12 that no news would ever come out just at the right
13 time to produce a little flurry in trading.

14 MR. SWEENEY: I have found mostly that
15 the eastern broker is somewhat fatigued by the
16 time the market closes at half past three and
17 thus "the public be damned" as far as he is
18 concerned. They do not seem to take every advantage
19 of our extra hour but they well could do it.

20 COMMISSIONER MacKEEN: Mr. Van Luven,
21 I would be interested in hearing your opinions
22 as to the listing of bonds either on the larger
23 exchanges or on your own. Would there be any
24 advantage or disadvantage in your opinion?

25 MR. VAN LUVEN: I think there would be
26 an advantage to listing bonds.

27 COMMISSIONER MacKEEN: I mean governments
28 and pretty well through the piece, the larger issues?

29 MR. VAN LUVEN: I think there would be
30 the same advantage to listing bonds as there is
listing equities. The public would have a market
before them at all times.

 MR. SWEENEY: Usually bonds are only available
from certain sources. It seems to me that organizations

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1 that deal particularly in bonds are rather like
2 the specialist on the stock exchange, they keep
3 their book on them and have the market just as
4 restricted if they were listed as if they were
5 traded over the counter.

6 COMMISSIONER LEMAN: Mr. Van Luven,
7 there was a supplement to your main brief which
8 we received and found very useful. It does give
9 rise, though, to a couple of questions in my mind
10 especially at the very end. First, I would like
11 you to expand a little bit on the penultimate
12 sentence which says:

13 "The stock exchange is in
14 a unique situation whereby in many
15 cases it is required to legislate
16 against its own members for the benefit
17 of the public even though the public do
18 not directly support such operation"

19 Would you expand on that a bit?

20 MR. VAN LUVEN: Yes, there are first of
21 all many listing requirements and regulations,
22 as I said earlier, regarding listed stocks. In
23 many cases a member could capitalize on certain
24 situations but by doing so it would be unethical
25 in so far as the public is concerned. So the
26 Stock Exchange may decide to suspend trading or
27 de-list that stock to assist the public and at the
28 same time to the detriment of its members.

29 Also, we have the situation of the unlisted
30 stocks, the over the counter stock which a member
broker is required to handle on behalf of a client
from time to time. By handling that stock, of
course, he earns himself a commission but he
may not like the particular situation, he may



1 know something about it or the exchange may
2 know something about it and issue instructions
3 that this stock must not be handled by a member
4 broker for various reasons. Again, the exchange
5 is legislating against its members for the benefit
6 of the public.

7 Again, it appears to be the trend over
8 the years that the public holds the Stock Exchange
9 and the brokerage fraternity responsible for
10 situations over which it does not have any control
11 and the exchange does try their best to keep the
12 industry clean even though it means fighting with
13 the various securities commissions.

14 All these things are done primarily for
15 the benefit of the public. The exchange does
16 not derive any revenue from them. Even various
17 government securities commissions are now getting
18 into the habit of passing these so-called hot
19 potatoes over to the exchange and having it make
20 a ruling as to whether or not they should be
21 permitted to trade or they should be permitted
22 to file etc.

23 COMMISSIONER LEMAN: Well, it is inherent
24 in the whole operation that the exchange lives
25 from the operations of the whole, doesn't it?

26 MR. VAN LUVEN: Yes.

27 COMMISSIONER LEMAN: So do the brokers,
28 they have to provide a service that is valuable
29 to the public and maintain in the long-term
30 public confidence in the operation of the whole.
So I am just wondering if your sentence leads
to something? Is it mentioned as a complaint or
what is it?

MR. VAN LUVEN: It is not mentioned as a



1 complaint. It is just pointing out a situation
2 that does exist.

3 COMMISSIONER LEMAN: To what extent would
4 you say that it is true that the exchange and its
5 members -- I suppose there are committees on the
6 exchange to see to all these policing powers
7 however limited they may be -- what are the kind
8 of situations you claim the exchange has no control
9 over?

10 MR. VAN LUVEN: I do not know whether it
11 would be proper to mention names before the
12 Commission. We do have one instance before the
13 exchange right at the moment where the exchange
14 has stopped their members from dealing in a
15 particular stock and the pressure from the promoters
16 of this stock has become very heavy to re-establish
17 so-called unlisting trading privileges in this
18 stock so that they can again establish a price,
19 either fictitious or otherwise, so that further
20 financing can be arranged for the company.

21 We have appealed to the Securities
22 Commission in this particular case. The answer
23 we have back is, "We are behind you no matter
24 which decision you take".

25 COMMISSIONER LEMAN: Does that put you
26 a little bit in the position of an S.E.C., for
27 instance?

28 MR. VAN LUVEN: In a minor degree, yes.

29 COMMISSIONER LEMAN: It is true that you
30 do have absolute power, no one can enjoin you
to list, can they?

MR. VAN LUVEN: No.

COMMISSIONER LEMAN: Therefore, you have
discretionary power.



1 MR. VAN LUVEN: That is right, yes.

2 THE CHAIRMAN: Is there any supervisory
3 power in the Securities Commission to over-rule
4 your decision?

5 MR. VAN LUVEN: To list or not to list?

6 THE CHAIRMAN: Well, yes, or to de-list?

7 MR. VAN LUVEN: Oh yes, we can do that,
8 to de-list.

9 THE CHAIRMAN: By the Securities Commission?

10 MR. VAN LUVEN: By the Securities
11 Commission, yes.

12 COMMISSIONER LEMAN: But you cannot be
13 prevented from de-listing?

14 MR. VAN LUVEN: No. The particular issue
15 I am talking about is an unlisted stock.

16 COMMISSIONER BROWN: Do other stock exchanges
17 have this trading on the floor of unlisted stock?

18 MR. VAN LUVEN: Yes, I think Calgary does.
19 I think Canadian Stock Exchange.

20 COMMISSIONER BROWN: Does Toronto or
21 Montreal?

22 MR. VAN LUVEN: They certainly do not make
23 it known if it exists. I imagine a certain amount
24 of it goes on. It would be very hard to police
25 if two traders got together and said: "I will sell
26 you something".

27 COMMISSIONER BROWN: It is not done with
28 the same publicity as in Vancouver?

29 MR. VAN LUVEN: ~~Yes~~ No, publicity is not
30 given to it.

31 COMMISSIONER MacKEEN: Well, it would be
32 a private deal between traders, it would not
33 go through the routine of the stock exchange in
34 that case?



1 MR. VAN LUVEN: No. It does not here
2 either.

3 COMMISSIONER LEMAN: The next sentence
4 refers to the fact that lack of funds and lack
5 of authority are factors to be considered in
6 extending its activities beyond its own members
7 on listed securities. Are you referring to "the
8 large area here or a very restricted and rather
unimportant area?"

9 MR. VAN LUVEN: This is a growing area
10 to this extent, that as I say the public is
11 looking more and more to the exchange to clean
12 up the fringes of the securities business. I
13 cannot state whether or not the exchange wants to
14 take on that extra responsibility or not but
15 certainly if it did it would need the powers
to do so and additional funds.

16 THE CHAIRMAN: Well, how far does that go?
17 By "the fringes" what do you include?

18 MR. VAN LUVEN: Well, we include street
19 brokers. For instance, we answer many enquiries
20 every day, or complaints if you wish, concerning
21 the activities of street brokers, unlisted stocks
22 etc. and etc. The public takes exception to the
23 fact that the exchange either cannot or will not
24 answer their enquiries and do something about
these particular complaints.

25 THE CHAIRMAN: Well, would that include
26 underwriters?

27 MR. VAN LUVEN: It could.

28 THE CHAIRMAN: Mining underwriters?

29 MR. VAN LUVEN: It could, yes.

30 THE CHAIRMAN: Which really has nothing
to do generally with the exchange?



1 MR. VAN LUVEN: It does not but the
2 public will not be convinced of that.

3 COMMISSIONER LEMAN: In that general
4 sphere, Mr. Van Luven, could you describe for us
5 the nature of the exchange's relations with the
6 Securities Commission?

7 MR. VAN LUVEN: Well, the exchanges
8 work very closely with the British Columbia
9 Superintendent of Brokers. We have received
10 a great deal of co-operation from him and I
11 think he has received a great deal of co-operation
12 from us. Situations do arise, however, where it
13 is most difficult for the government to lay down
14 a policy. In such instances it would seem
15 expedient for the government to pass the buck
16 to the exchange to act. This does happen.

17 COMMISSIONER LEMAN: Does this stem
18 from the fact that they cannot afford to be
19 as arbitrary as you can?

20 MR. VAN LUVEN: Yes, that is it. The
21 Securities Commission would rather have us
22 say "no" than they themselves.

23 THE CHAIRMAN: Well, say "no" in a
24 situation that affects somebody who is not a
25 member of the exchange?

26 MR. VAN LUVEN: Yes.

27 COMMISSIONER LEMAN: Could it be, Mr.
28 Van Luven, that the regulatory body in the
29 United States, the national one developed these
30 rather arbitrary patterns of behaviour because
it found that it could not count on the local
authorities, groups, brokers' associations,
and so on to take the necessary action?

MR. VAN LUVEN: That is undoubtedly the case

Mr. VAN DYKE: It is not the

idea that it is not the

COMMITTEE. It is not the

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Mr. VAN DYKE: Well, the

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1 but as all such bodies it is inclined to lose
2 touch with the local associations and bodies
3 as time goes on.

4 COMMISSIONER BROWN: There have been
5 comments from time to time that there should be
6 brokers and jobbers on the floor of the Exchange.
7 Would you like to comment at all on this possible
8 separation of the functions?

9 MR. VAN LUVEN: Jobbers and specialists?

10 COMMISSIONER BROWN: Brokers and
11 specialists, I suppose you would call them.

12 MR. VAN LUVEN: Yes, they have specialists
13 in the United States, jobbers in England. They
14 did try this specialist system in Toronto, I think,
15 a year or so ago and they put it in operation,
16 as I recall, for approximately six months.
17 It did not work. I think the reason it did not
18 work is that Canada is not really big enough
19 to support such a system at this time.

20 MR. SWEENEY: It is just as I understand,
21 a specialist keeps a book. He may have half a
22 dozen or a dozen companies that he specializes
23 in and he has full control of the bid and ask
24 securities that he specializes in. Of course
25 it puts him in a position where he has to
26 have a very considerable amount of capital because
27 he has to either take or give. He forms his
28 position by his standing in that security.
29 He is either offering it down or bidding it up
30 and nobody can get in on it simply because he
has control of it.

I just don't know how deeply to go into
it but there is no market in Canada; there are
no stocks in Canada where a specialist will say

but as it is not possible it is limited to some

touch with the local associations and people

as they have not

COMMISSIONER BROWN: There have been

comments from time to time that there should be

present and future on the lines of the Chicago

would you like to comment at all on this possible

extension of the University

MR. VAN BUREN: I have not seen anything

COMMISSIONER BROWN: I have not seen anything

specifically, I suppose you would not want

MR. VAN BUREN: Yes, that has been suggested

in the United States, I suppose in England, France

and very many other countries in the world, I think

it is not a very recent thing but it is something

as I would say approximately in the world

it is not new, I think the reason it is not

well known in this country is not really due to

it is not a very recent thing but it is something

MR. VAN BUREN: It is not as I understand

a specific thing, I suppose it is not a very

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1 on the floor of the Stock Exchange he can make
2 a book on Bell Telephone and have any control
3 over it. That is what they found so he is not
4 a specialist unless he has control of the
5 security. But they are able to do it in the
6 United States with United States steel,
7 Aluminium etc.

8 COMMISSIONER LEMAN: Well, his function
9 is to make a market at all times.

10 MR. SWEENEY: That is right and he is
11 the sole source of information on what the price
12 is.

13 COMMISSIONER BROWN: I think that in
14 the English market there would be several jobbers
15 handling one security. Couldn't there be more
16 than one specialist?

17 MR. SWEENEY: I don't know about that but
18 the broker goes to the specialist.

19 COMMISSIONER BROWN: But there could be
20 more than one jobber in any security?

21 MR. SWEENEY: Yes.

22 COMMISSIONER BROWN: Leading up to my
23 question there is another one I would like to ask
24 and that is: Is there any difficulty inherent
25 in brokers taking positions in stocks and then
26 recommending those stocks to their clients or
27 otherwise to thereby get out of their position?

28 MR. SWEENEY: I see no reason why a broker
29 should not, we will say, accumulate some Bell
30 Telephone. He may pick it up in odd lots and
get around a hundred shares and then he has the
total he probably took down of one-eighth in
the market and sells out of his house account
but I see no reason why he should not recommend



1 his client to buy Bell Telephone. The only point
2 is that he must make full disclosure so that the
3 client knows he is buying that broker's stock
4 and that is the law.

5 COMMISSIONER BROWN: There is a question
6 of conflict in interest. The point is as long
7 as he makes a full disclosure?

8 MR. SWEENEY: That is the whole situation.

9 COMMISSIONER BROWN: That is what I wanted
10 to bring out.

11 MR. SWEENEY: Oh definitely, he is
12 a principal.

13 COMMISSIONER BROWN: And this shows
14 on his contract too?

15 MR. SWEENEY: Oh absolutely, he cannot
16 charge any commission, he is the principal in the
17 thing and he must say where he got it and who owns
18 it.

19 COMMISSIONER GIBSON: Would you care
20 to say anything about the influence of taxation
21 on investors' habits on the one side -- in other
22 words, the fact of the 20 per cent tax rebate
23 on the federal income tax, and, on the other
24 side, the manner in which interest on debt is
25 subject to expense, whereas on a stock it comes
26 out of profits -- subject to full tax? It is a
27 very broad field. If you had any thoughts on it,
28 we would appreciate hearing them.

29 MR. VAN LUVEN: There is definitely a
30 shortage of equity securities in the market, that
31 is, blue chip securities, both in the United States
32 and Canada. Companies are tending these days,
33 I think, to issue or to borrow capital on a re-
34 payment basis rather than to issue more shares



1 to the public. I don't know exactly how to
2 express what I have in mind. Certainly, the general
3 public are interested in the purchase of equities
4 not so much from the dividends they get, but from
5 the possible growth factor. I don't know whether
6 the fact that the growth is not subject to income
7 tax -- the appreciation of the shares -- I don't
8 think that is what is interesting to, certainly,
9 the small investor as much as the idea of gearing
10 his savings to possible inflation. I don't think
11 the small investor is too interested in the tax
12 picture. I do think that these large companies
13 should issue or should finance more by means of
14 the issuance of common shares and thus allow
15 the smaller people to invest. Quite possibly --
16 changing the subject a little bit -- they should
17 think of splitting their shares so that the public
18 can get into the companies.

17 COMMISSIONER GIBSON: You would regard
18 the 20 per cent tax rebate on operation as
19 certainly a plus as far as the equity part
20 is concerned?

21 MR. VAN LUVEN: Oh yes, it certainly is,
22 but I don't think the small investor is too
23 concerned with that. He likes it, and knows it
24 exists and says it is a good thing, but how much
25 is this stock going to appreciate over the next
26 10 years?

26 COMMISSIONER GIBSON: Does this alter
27 the character of the demand -- the present structure
28 of taxation? Do you find it puts a lot of emphasis
29 on high equity stock?

29 MR. VAN LUVEN: I don't think I can
30 answer that one.



... I don't know exactly how to
can that I have in mind. Certainly, the General
people are interested in the purchase of rights
not so much from the dividends they get, but from
the possible growth factor. I don't know whether
the fact that the growth is not subject to income
tax -- the appreciation of the shares -- I don't
think that is what is interesting to certainly
the small investor as much as the idea of having
his money to possible inflation. I don't think
the small investor is too interested in the
future. I do think that these type companies
should have an annual finance more or less of
the nature of common shares and thus allow
the smaller people to invest. Quite possibly --
changing the subject a little bit -- why should
think of applying their shares so that the public
can also be interested.

COMMISSIONER GIBSON: You would regard

the 50 to 60 million on investment as
a fairly large sum of money, wouldn't you?
isn't it?

Yes, Mr. Gibson. Of course, it certainly is,
but I don't think the small investor is too
concerned with that. He likes it, and knows it
exists and says it is a good thing, but how much
is this stock going to appreciate over the next
10 years?

the character of the demand -- the present situation
of taxation. Do you think it puts a lot of emphasis

1 COMMISSIONER LEMAN: Here is an even
2 tougher one: What would happen to yields on
3 industrial bonds if the deductibility character
4 of the interest expense was removed in relation
5 to the yield on equities today; if you removed
6 both the 20 per cent tax rebate and made interest
7 expense non-deductible for income tax purposes,
8 what do you think would happen to the relationship
9 of yields on the securities?

10 MR. VAN LUVEN: I don't think I am in
11 a position to answer that.

12 COMMISSIONER LEMAN: You have probably
13 noticed, as well as we have, how much effort
14 the New York Stock Exchange, for instance, has
15 put into an endeavour to educate the public
16 and expand interest in the trading in securities
17 in the United States. Has your Exchange made
18 any comparable effort in this region?

19 MR. VAN LUVEN: Yes, we have. We have
20 extended our facilities, our time and our effort
21 to trying certainly to teach the general public
22 the purposes and the reasons for the existence
23 of the Stock Exchange, brokerage industry, etc.,
24 and along that line I might say that between
25 Mr. Sweeney and myself and other officials
26 of the Exchange we have spoken to a great number
27 of groups of one kind and another. We have had
28 groups down to the Exchange: One last night,
29 and there are four more coming down this week --
30 that is, five nights. We lecture at the
university. A great deal of effort is being made
to educate the public. We cannot go quite as
far as the New York Stock Exchange; we haven't
got a budget. However, certainly within our means



Here is an even
I don't think that would happen to yields on
indefinitely bonds if the debasing character
of the interest rate was removed in relation
to the whole of capital today, if you remove
both the 20 per cent tax rebate and made the rate
on non-debt securities for income tax purposes,
what do you think would happen to the relationship
of yields on the securities?
Mr. VAN DUSEN: I don't think I can see
a position so simple that.
CONSTITUTIONAL ISSUE: You have previously
stated, as I think we have, that when others
do it, you follow. That is, for instance, has
put into it a new twist to the public
and experts interested in the trading in securities
in the United States. The question always was
any corporation, what in this position?
Mr. VAN DUSEN: I don't know. We have
examined the situation, and time and our efforts
in trying to establish a new general public
the response of the market for the existence
of the stock market, particularly in the
and they don't know I might say that between
Mr. DUSEN: But I don't think it is
of the situation, we have a new way of a great number
of houses of our kind and interest. We have had
groups of men in the market; the last night,
and there are a few more coming. On this week --
and in the market, we are looking at the
... that kind of effort in being made
to increase the market. We cannot go quite as
far as the market has gone, and we are



1 we are doing everything possible, and I don't
2 think we are doing half enough.

3 COMMISSIONER LEMAN: It is a personal
4 effort on your part mostly?

5 MR. VAN LUVEN: Well, not personally:
6 All members of the Exchange are participating
7 one way and another.

8 COMMISSIONER LEMAN: I would like to
9 ask one more question which will be quite short.
10 Would you have any comments about the investor
11 practices of the large institutions and the
12 restrictions that are on them as to investments?
13 Does that have a bearing on the activity of
14 your Exchange?

15 MR. SWEENEY: It is just a feeling, I
16 guess, that the large institution is invaluable
17 to the support of the market, shall I say,
18 generally. Large institutions hold a considerable
19 proportion of the equity shares that many of
20 these companies have in circulation and
21 distribution. In other words, as far as the
22 availability of stocks is concerned, I think
23 the institutional buying is valuable. I take it
24 you mean insurance companies.

25 COMMISSIONER LEMAN: Do you find their
26 practice is mostly to direct their business
27 to the larger exchanges in the east?

28 MR. VAN LUVEN: To a great degree, yes.

29 MR. SWEENEY: They have expensive
30 statistical organizations in these institutions.
They have very great examinations of their
investments, I imagine.

MR. VAN LUVEN: Many of these investments
are going back to the wholesale transaction question,



...and I think

...is quite well enough.

COMMISSIONER HENRY: It is a personal

effort on your part, isn't it?

MR. VAN LUYK: Well, not personally;

All members of the Bureau are participating

and are interested.

COMMISSIONER HENRY: I would like to

ask one more question which will probably answer

what you have just said about the situation

existing in the Bureau institution, and the

restrictions that are on them as to investigation

and the part of working on the activity of

MR. VAN LUYK: It is quite correct, I

think that the Bureau institution is involved

to the extent of the matter, and I think

generally. I think the situation is in a somewhat

more than of the policy which is being

to a certain extent in the Bureau

distinction. In other words, it is a

distinction in the Bureau is concerned, I think

the matter is being paid, as you said, I think it

now that it is being paid.

COMMISSIONER HENRY: Do you think that

policy is really so much better than

to the Bureau is being paid?

MR. VAN LUYK: Yes, I think so.

I think it is a very excellent

and a very excellent one, I think it is

very important, I think.



1 and they are usually bought in large blocks
2 and sales purchases are never seen on the stock
3 exchange. I don't think it is a particularly good
4 thing.

5 COMMISSIONER LEMAN: Do you find a great
6 deal of orders originating here in Vancouver having
7 to be executed on other exchanges because of
8 size?

9 MR. VAN LUVEN: Yes, although more and
10 more of these orders can be executed in Vancouver;
11 but, certainly, the majority of the large orders
12 must go back east at the moment.

13 THE CHAIRMAN: That apparently covers
14 all the questions. We wish to thank you very
15 much, Mr. Van Luven and Mr. Sweeney for appearing
16 today. Your comments upon the business of the
17 Vancouver Stock Exchange have been very helpful.

18 We will adjourn now for half an hour.

19 --- Recess
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SUBMISSION OF THE CORPORATION OF
THE DISTRICT OF BURNABY

Appearances

S.B. McCafferty - Treasurer
A.H. Emmott - Reeve

EXHIBIT 4: Brief of the Corporation of the District
of Burnaby, Burnaby, British Columbia.

THE CHAIRMAN: The Corporation of the
District of Burnaby, Mr. McCafferty, and Mr.
Emmott appearing for the Corporation. Are you
ready to proceed?

MR. McCAFFERTY: Thank you, Mr. Chairman,
I am Barton McCafferty, Treasurer of the District
of Burnaby. It is the contention of our council
that in so far as the municipalities in this
province are concerned, tax anticipation loans
to municipalities by the chartered banks are amongst
the best secured loans that they deal with and
that as such this type of loan should enjoy
a preferential rate of interest. I mean by that
the standard rate of interest charged at the
present time for prime credit is $5\frac{1}{2}$ per cent.
Possibly we should have something a little better
than that.

Now, this point relates to the internal
ability of the banks and no way affects the Bank
Act but nevertheless we believe that this point
comes within the terms of reference of this Commission.

Quite likely it would not be in the best
interests of all concerned to amend the Bank Act
in any way to dictate rates of interest applicable
to municipalities. But nevertheless



1 I think if the Commission sees merit in this
2 point of view that the banks of this country
3 would certainly be interested in exploring this
4 problem. As far as I know this is the first
5 time that the matter has been put just this way
6 by all of the municipalities that are represented
7 by the Union of British Columbia Municipalities
8 in this province and by the Canadian Federation
9 of Mayors and Municipalities of Canada.

10 I am given to understand that the Canadian
11 Federation of Mayors and Municipalities will be
12 putting forth a brief of their own on this subject
13 when the Commission meets in Ontario.

14 With that, Mr. Chairman, I would be
15 happy to answer any questions that may be put
16 to me.

17 COMMISSIONER LEMAN: Perhaps, Mr.
18 McCafferty, you could tell us so far as Burnaby
19 itself is concerned what is involved in this
20 difference of what you hope would be the interest
21 rate you would pay for this type of short-term
22 money in a typical year, and gross dollar
23 amount rounded out?

24 MR. McCAFFERTY: Generally speaking
25 it costs our municipality about \$20,000 a year
26 in interest charges on short-term financing for
27 current purposes.

28 As a public service we encourage tax
29 payers to pay their accounts in advance and we
30 do allow them a rate of interest. That, of course,
cuts out some of the bank borrowing that we might
be faced with.

COMMISSIONER MACKINTOSH: When you say
this is a public service why isn't it just ordinary



1 horse sense?

2 MR. McCAFFERTY: Well, quite frankly,
3 from an administrative standpoint it costs a
4 great deal more money to borrow money from the
5 ratepayers in this fashion than it does to borrow
6 money from the bank.

7 COMMISSIONER LEMAN: How much more?

8 MR. McCAFFERTY: Well, if you have to
9 process 8,000 or 9,000 accounts individually
10 there is a fair amount of clerical cost. I
11 cannot tell you exactly how much but if you
12 compare that with writing maybe 25 or 30 notes.

13 COMMISSIONER LEMAN: If I may presume,
14 Mr. Chairman, just a bit you said \$20,000 a year
15 is a typical interest charge on this type of
16 anticipatory borrowing?

17 MR. McCAFFERTY: That is right.

18 COMMISSIONER LEMAN: And that, say,
19 at 5½ per cent?

20 MR. McCAFFERTY: That is right, sir.

21 MR. EMMOTT: Mr. Chairman, I wonder if
22 I might beg your indulgence and just make a
23 remark appropriate to the remark made, I think,
24 by Dr. Mackintosh. I think I just want to say
25 that I agree entirely with what I think is your
26 point of view with respect to the payment of
27 municipal taxes, that it most certainly should be
28 on a monthly basis.

29 I know that this is perhaps not related
30 to our submission -- well, it is, yes very definitely
so -- that notwithstanding the administrative charges
that would likely be involved in the processing of
monthly payments of municipal taxes, I still feel
that it is a definite forward step.



1 Apropos of this our municipality had
2 before the Union of British Columbia Municipalities
3 a resolution at its convention last fall calling
4 for the striking of a committee to enquire
5 into the feasibility and desirability of implementing
6 such a method of payment of taxes. It does involve
7 certain amendments to the Municipal Act, as I
8 understand it. One must keep in mind that
9 most people, most income earners in respect
10 of income tax pay it on a monthly basis -- and
11 this is quite frankly a relatively painless way
12 of doing it -- I certainly feel that this would
13 be a forward step and I say this to some extent
14 from personal experience. I am on leave of absence
15 as a teacher and as a teacher we are paid in 10
16 monthly instalments in this province and although
17 we should be provident and prudent and divide
18 our salaries by 12 and set aside X number of
19 dollars to look after the summer drought, few
20 teachers do this, at least I did not do it, and
21 the drought was extremely painful.

22 I feel that if somehow taxes were payable
23 on a monthly basis the people would tend to gauge
24 their standard of living according to their take
25 home pay and they would not suddenly be faced
26 in June or July with \$250 or \$300 to pay to
27 the Corporation.

28 MR. McCAFFERTY: Mr. Chairman, just somewhat
29 off the line but I think it is interesting to know
30 how much it would cost to provide this service. I
have been assigned the task of seeing what changes
in legislation would be required in order for taxes
to be paid by the month and so on.

For our municipality it would cost us something

1 like \$40,000 a year, more than it is costing
 2 now, to do this and that is after consideration
 3 of the municipal situation whereby we pay interest
 4 on borrowings in the first part of the year and
 5 we receive interest on the sums of money that we
 6 have idle, shall I say, in the latter half of the
 7 year.

8 But to get back to the question that
 9 was put to me, as far as our municipality is
 10 concerned at the moment it does not mean too much
 11 to us that the bank rate is what it is. Speaking
 12 for our municipality at this time, we can get
 13 money from the street at rates ranging from
 14 $3\frac{1}{2}$ to 4 per cent but we can do that because we
 15 are the second largest municipality in this province.
 16 We need money in sums of \$100,000 for borrowings
 17 whereas most communities are not in that position.
 18 Their requirements are not enough to warrant it.

19 As far as what I think the bank rate
 20 could be I do not think I am competent to say
 21 that because I don't know what it costs the bank
 22 to operate.

23 COMMISSIONER LEMAN: Well, these smaller
 24 municipalities, would you say that their total
 25 budget would be affected, say, a quarter of one
 26 per cent or one-tenth of one per cent due to this
 27 disadvantage you are referring to?

28 MR. McCafferty: Well, in our particular
 29 case the \$20,000 was related to a budget of about
 30 \$10 million.

COMMISSIONER LEMAN: Well, Mr. McCafferty,
 that is why I do not want to be confused there as
 to the sense of your answer. When you say if we
 could get you 4 per cent instead of $5\frac{1}{2}$ per cent on this



1 type of loan you did not mean that the answer
2 would be \$20,000 per year; It would be something
3 of the order of \$5,000, is that right?

4 MR. McCAFFERTY: That is correct.

5 COMMISSIONER LEMAN: So it is the \$5,000
6 we should refer to your budget, shouldn't we,
7 rather than the \$20,000?

8 MR. McCAFFERTY: Yes, I understood you
9 to ask what the interest cost us in comparison
10 to our total expenditure.

11 COMMISSIONER LEMAN: That is right.
12 I was leading up to how much it cost and how
13 much it would amount to if you got it at $3\frac{1}{2}$ per
14 cent or 4 per cent. It is a matter of about
15 \$5,000 per year under present circumstances?

16 MR. McCAFFERTY: Yes.

17 COMMISSIONER LEMAN: And for a municipality
18 about one-quarter your size it would be \$1,500?

19 MR. McCAFFERTY: It depends on the
20 circumstances of that particular municipality.
21 Some communities in this province due to agricultural
22 or semi-rural natures do not collect their taxes
23 until September or October and they have a longer
24 period of time in which to be in a borrowing
25 position. It may be too that they have got enough
26 surplus after a long period of time to provide
27 them with sufficient working capital. It could
28 be any number of circumstances. The requirements
29 of any one municipality may not be the same as
30 the next.

COMMISSIONER LEMAN: I think you mentioned
earlier that it is not your idea that this should
be a matter of law or regulation: It may be a
matter of persuasion or that type of thing.



1 Is there any possibility of a third approach?
2 Is there a way in which municipalities can --
3 excuse the slangish word -- gang up on the banks
4 about this?

5 MR. McCAFFERTY: Well, I think this is
6 the method that we are using to gang up on the
7 banks, to get the British Columbia municipalities
8 to endorse it and the Federation of Mayors and
9 Municipalities to endorse it. I noticed in
10 the newspapers that the Investment Dealers'
11 Association made the remark that there was a
12 strange unanimity between the banks and the
13 rate of interest they charge. We have the same
14 problem. There is no point in us going from the
15 Royal Bank to the Bank of Montreal, because we
16 know that the Bank of Montreal charges the same
17 as the Royal Bank. However, that is the way
18 it is at the moment.

19 COMMISSIONER BROWN: Is it possible
20 that the \$5,000 a year that it costs you now --
21 let me re-phrase the question: Would you like
22 to comment on the relative advantages and
23 disadvantages of paying that extra \$5,000 a year
24 in order to have available the credit when you
25 want it in the amounts you want it?

26 MR. McCAFFERTY: That is a very important
27 aspect, quite frankly. The banking institutions
28 give you quite a flexibility. They will establish
29 a line of credit and will give you the money as
30 you require it to write your notes, and with
tax hypothecation you pawn your taxes to the bank,
and the way it generally works out is that the
money is placed in a special account, and as you
collect your taxes you deposit it in that account,



1 and as the sum is filled up the banker reduces
2 your note proportionately. So that, your
3 interest costs are kept as low as possible
4 within the $5\frac{1}{2}$ per cent rate. That is a terrific
5 advantage with the banks. If you go to the
6 street you have to say to the buyer of your
7 paper that the note is running from today
8 for 102 days, and there is no leeway unless
9 something should happen to cause them to sell
it back to you before maturity.

10 COMMISSIONER MACKINTOSH: You also have
11 to say you haven't a line of credit at the bank.

12 MR. McCAFFERTY: That could be a reason
13 too, sir.

14 COMMISSIONER BROWN: If you could get a
15 lower rate of interest through the bank system
16 that would be offset initially, you would still
17 have the facility without the higher rate of
return?

18 MR. McCAFFERTY: We would still have
19 the facility at a lower cost to ourselves.

20 COMMISSIONER BROWN: Would you care to
21 make any comment on a wider problem, and that is
22 the effect of monetary changes and monetary policy
23 on municipalities, particularly on your borrowing
for capital purposes?

24 MR. McCAFFERTY: A municipality is not
25 a business in the sense that it is not operating
26 for the purpose of making a profit. It should
27 be run as efficiently as possible, of course, but
28 it is there for the purpose of supplying services
29 to its community. Financing has two general
30 forms: For current purposes, anticipation of
your revenues; and for capital purposes.



1 A municipality, if it does not watch itself,
2 can be financing a rather large programme of
3 capital works on current tax monies. We do the
4 same as business does: We use our current cash
5 to function with, and we from time to time sell
6 debenture issues to obtain capital funds to
7 reimburse current, and soon. But if you are not
8 careful and not watching the times you can run
9 up rather a large amount of expenditures, and
10 then suddenly find you can't market a set of bonds.
11 Not only that, but if it was as tight as it was
12 three years ago you can't even secure credit from
13 a banker. That is putting the picture to the
14 extreme, but it does happen.

15 THE CHAIRMAN: Stopping there for a
16 moment, did you find you could not secure credit
17 from your banker at any rate of interest at all,
18 or was it that the rate of interest was too high
19 in relation to your requirements?

20 MR. McCafferty: In this particular
21 instance we could not secure money for this
22 purpose at all from our banker.

23 THE CHAIRMAN: For which purpose was
24 that?

25 MR. McCafferty: For construction of
26 sidewalks and roads and other local improvements,
27 but we were in the same position as a great many
28 other municipalities and a great many other businesses.
29 It was a condition that was common in this country
30 at that time.

THE CHAIRMAN: Oh, yes.

MR. McCafferty: So, I don't want to leave
the impression that the banks were not being fair
to the municipalities, because that is not so.

1 They have been giving us the same, shall I say,
2 treatment that they were forced to give to
3 all of the customers at that time, but we had
4 a rather large works programme underway, and
5 I usually take the precaution of setting up a
6 credit with the bank in advance, and I was told,
7 "I'm sorry, we haven't got the funds." We had
8 already committed ourselves to a fair portion,
9 but within the limitations we set ourselves
10 we had enough reserve funds to tide us over
11 temporarily until we could issue a set of bonds
12 about eight months later. But, we had to stop
13 our work.

14 COMMISSIONER MACKINTOSH: You actually
15 cut the programme back?

16 MR. McCAFFERTY: We had to.

17 COMMISSIONER LEMAN: This was, as you
18 described it, an extreme situation, but within
19 those limits would you also find with a municipality
20 that capital expansion would be sensitive to
21 monetary policy in the sense of higher or lower
22 rates of interest, or does it influence you only
23 when you hit that limit where you just cannot get
24 it?

25 MR. McCAFFERTY: In some jurisdictions
26 they take the point of view they will not do
27 construction during high interest periods.
28 I think this idea is not too prevelant any more.
29 In our municipality we have taken the point of view
30 that we will, if possible, have a continuous
programme of construction and average out our
interest costs over a long period of time. In
other words, we don't try to do a lot of work
when the interest rates seem low and only do a

1 little work when they seem high. We have a
2 continuous programme. Our long-term debentures --
3 20-year debenture issues -- we paid as much as
4 $6\frac{1}{2}$ per cent effective interest, and as low as
5 $3\text{-}3\frac{3}{4}$ per cent over the last ten years.

6 COMMISSIONER GIBSON: Did you not cut
7 back at all when the rate was $6\frac{1}{2}$ per cent on
8 your plans?

9 MR. McCAFFERTY: Not appreciably.

10 COMMISSIONER GIBSON: Going back to the
11 situation of tight money that you described earlier,
12 when you did cut back because funds were not
13 available from the banks and because you didn't
14 have enough reserves on hand, was that a big cut?
15 Did it persist for long, or did you make it up
16 a bit later?

17 MR. McCAFFERTY: We didn't make it up.
18 We simply cut that much out of our programme
19 and took off where we left off about six or eight
20 months later.

21 COMMISSIONER GIBSON: So that cut was
22 really a cut -- you never made it up again? You
23 moved everything on a bit?

24 MR. McCAFFERTY: That is right.

25 COMMISSIONER HARROLD: How big a cut
26 was it in relation to the whole, percentage-wise.

27 MR. McCAFFERTY: About 50 per cent;
28 about \$600,000 worth.

29 THE CHAIRMAN: 50 per cent of what --
30 of your whole programme?

MR. McCAFFERTY: Of that particular
programme.

THE CHAIRMAN: Of that particular programme?

MR. McCAFFERTY: Yes, of that particular



1 programme. Our programmes, actually, were smaller
2 than they are now.

3 THE CHAIRMAN: What was that particular
4 programme?

5 MR. McCAFFERTY: This was local improvements --
6 construction of sidewalks.

7 THE CHAIRMAN: Did the tight money affect
8 your other general construction programme?

9 MR. McCAFFERTY: The other construction
10 programmes that we had were already secured with
11 funds that we had on hand, and we were able to
12 carry them on at that particular time.

13 COMMISSIONER BROWN: The big point is,
14 you were affected by monetary policy only when it
15 meant funds were not available, and you were not
16 affected by monetary policy when it meant more
17 expensive funds? This is perhaps getting it
18 down to a black and white situation.

19 MR. McCAFFERTY: We are talking about
20 our particular municipality.

21 COMMISSIONER BROWN: Exactly.

22 THE CHAIRMAN: Quite.

23 MR. McCAFFERTY: That does not mean they
24 were in the same class as other municipalities.

25 COMMISSIONER BROWN: No.

26 MR. McCAFFERTY: It so happens that we
27 have a relatively low per capita debt, and it so
28 happens our municipality is expanding fairly
29 rapidly even now, and as such our revenues, shall
30 I say, are adequate. I should not say this in a
public place because the municipality is naturally
anxious to get more funds, but once again I repeat,
the circumstances of various municipalities vary
in accordance with that municipality. We haven't

... Our program, actually, were similar

than they are now.

THE CHAIRMAN: What was that particular

MR. MCCARTHERY: This was local improvements --

construction of sidewalks.

THE CHAIRMAN: Did the State money affect

MR. MCCARTHERY: The other construction

program that we had was already covered with

funds that we had on hand, and we were able to

carry them on at that particular time.

COMMISSIONER BROWN: The big point is,

you were affected by monetary policy only when it

meant funds were not available, and you were not

affected by monetary policy when it meant more

expensive funds? This is perhaps setting it

down too black and white a matter.

MR. MCCARTHERY: We are talking about

THE CHAIRMAN: Could

MR. MCCARTHERY: That does not mean that

were in the same class as other municipalities.

MR. MCCARTHERY: It is not as that we

have a relatively low rate of debt, and it is

happens our municipal debt is expanding fairly

rapidly, and as such our revenues, which

I say, are somewhat small, are not in a

position to handle the municipal debt as naturally

as in the case of some other municipalities, but once again I repeat,

the rate of debt is not as high as in some other municipalities.



1 found quite the same stress on ourselves as
2 a great many communities in this country have,
3 because of our peculiar circumstances. So, if
4 you ask me a question, I will give an honest
5 answer. Naturally, if you are going to pay
6 6 per cent for long-term money it is going to
7 cost you more to finance those costs than it
8 would at 5 per cent or 4 per cent, but up to
9 this time those interest charges have not been
10 too great for our community to bear, and if
11 our circumstances were different I would say
12 that you would think very deeply about incurring
13 a debt if you had to pay 6 per cent.

14 MR. EMMOTT: I think this might be
15 added to it in respect of our particular
16 municipality: As you will recall, in 1958
17 the Federal Government initiated a winter works
18 incentive programme in which our municipality
19 co-operated whole-heartedly, and one of our
20 concerns with the unemployment situation that
21 obtained at that time was in providing the
22 maximum amount of employment within the
23 municipality, and it had been traditional to
24 suspend operations of certain types roughly in
25 the month of October and not resume them until
26 the spring weather, but with the assistance made
27 possible through the participation of both the
28 Federal and Provincial governments in this programme
29 we retained our employees, and employed additional
30 employees, and then established our operation
pretty well on a 12-month basis, and while we
would not be irresponsible to the point of
accepting any interest rates, at the same time
consideration of the continuance of the programme

of competition in this country have,
because of our special circumstances, so, if
you have no objection, I will give an honest
answer. When I say, if you are going to pay
5 per cent for foreign money it is going to
cost you more to finance these costs than it
would at 5 per cent of a per cent, but in so
far as the cost of interest charges have not been
too great for our country to bear, and in
our circumstances where interest I would say
that you would think very deeply about it. I am
a little bit more to pay 5 per cent

and I think this might be
added to it in respect of our particular
municipality. As you will recall, in 1930
the Federal Reserve initiated a winter of
inflationary programs in which our municipal
corporations, both privately and one of our
corporations, with the Federal Reserve's assistance, were
convinced that it was in providing the
financial support of emergency funds for the
municipality, and it helped them to

the credit of Governor and the Federal Reserve
the spirit of the law, but with the Federal Reserve
assistance through the Federal Reserve of 1930 the
Federal and Provincial Governments in this program
to raise new money, and employed additional
money, and other established our operation

1 was closely related to the urge to provide
2 employment and to provide a continuous programme,
3 and I suppose we might say that to some extent
4 we had taken a calculated risk, bearing these
5 things in mind.

6 COMMISSIONER BROWN: Along the same line,
7 would you care to answer this further question,
8 and that is, to what extent do the higher interest
9 rates or the prospect of higher interest rates
10 affect the voter in voting for or against a public
11 works programme?

12 MR. EMMOTT: I may venture an opinion
13 there, sir: I question whether a significant
14 percentage of the voting public are sufficiently
15 aware of the effect of interest so that fluctuation
16 in interest rates would change their decision.

17 MR. McCAFFERTY: Mr. Brown, I think
18 I can answer that somewhat differently than
19 perhaps the Reeve has done. It does have a
20 direct effect on the voter when it affects him
21 directly. I mean by that, local improvement
22 charges are charged directly to the properties
23 enjoying the benefit -- a sidewalk or paving
24 or what have you. We have found if we tell the
25 people ahead of time that their charge is going
26 to be 50 cents a foot for a project, and it turns
27 out to be 55 cents a foot, we hear about it.
28 Interest charges may not affect the rate by
29 that much, but possibly it could.

30 The next thing is that if you put a project
to the people and if they consider that the local
charge is too high, they will turn it down, but
if you understand that with local improvements,
the municipality as a whole bears part of the cost

1 and the local ratepayer bears part of the cost --
2 with some of our projects as much as 85 per cent
3 of the cost of the project is assumed by the
4 municipality at large, and only 15 per cent will
5 be assessed against the local owners. Well,
6 that could mean, nevertheless, a charge of
7 \$25 to \$50 a year against that property for that
8 service depending on what it is -- still pretty
9 high. So, the thing is, when you design local
10 improvements you determine what seems to be
11 a reasonable cost to the local owner for the
12 benefit he is getting, and charge him that, and
13 charge the rest to the community. The rest of
14 the community, of course, does not see that as
15 a special charge to themselves -- as an item,
16 and so it is lost.

17 COMMISSIONER MACKINTOSH: What happens
18 when you come to the end of the year and have
19 to make up a new budget and you look at the
20 servicing of not only the debentures you have
21 out but debentures you hope to issue during
22 that year and you find the rate of interest is
23 going to add to the mill rate, do your electors
24 have something to say at that point?

25 MR. EMMOTT: It is a case of after the
26 fact. I do not think, Mr. Chairman, that the
27 average voter gives too much thought to the
28 services that he obtains from the municipality.
29 He is simply concerned with that his taxes
30 have gone up \$5 if they have, or \$10. I
could hold forth on this for some time but it
is not an appropriate time here. I would like to
give you an instance which bears out, I believe,
the disbelief which the statement of our

...part of the end -

with some of our projects as much as 50 per cent
if the cost of the project is assumed by the

be assessed against the local system. Well,

that could mean, nevertheless, a change of
\$25 to 400 a year against that property for that
figure depending on what it is -- still pretty
high. So, the thing is, when you design local

improvements you determine what seems to be
a reasonable cost to the local owner for the
benefit he is getting. And once you have that, and
then the rest to the community. The rest of
the community, of course, does not see and as
a special charge to themselves -- as an item,
and so it is local.

When you come to the end of the year and have
to make up a budget and you look at the
necessity of not only the improvements you have
but also the things you hope to have during
that year and you find the need of interest
to see to see the will need for your elections
have something to say about that?

Well, I think it is a case of when the
local owner is not thinking, the decision that the
community will have to make things to the
extent that he should have the responsibility.

It is right to say that the local owner
will have to pay for it, or \$10, I
know some time but it



1 Treasurer elicited from a taxpayer.

2 In 1958 at a public meeting to discuss a
3 district improvement sewer bylaw Mr. McCafferty
4 informed the public meeting that for every dollar
5 that was borrowed it would be necessary to
6 spend \$1.60 and this was met with utter disbelief,
7 this was nonsensical and yet it was absolutely
8 true.

9 I say this in support of my previous
10 remark that people do not as a rule, -- and you
11 are dealing with thousands of taxpayers, not
12 just a small segment -- do not as a rule give
13 very much thought to the interest rate but,
14 of course, the council must and the administration.

15 MR. McCAFFERTY: I would like to once
16 again tackle that from a different point of view.
17 Speaking for our municipality we are an expanding
18 community and our revenues are something like
19 the revenues of Canada, the national product
20 goes up so the revenues of our national government
21 go up. In our case more and more of our territory
22 comes into use and therefore our revenues increase.
23 But that happens to be peculiar to a municipality
24 like ours. There are other communities in this
25 province, the majority of them I would say,
26 that remain relatively the same size year after
27 year. So that if that community takes on an
28 arena or decides to pave its streets, or what have
29 you, that charge is going to appear in the very
30 next budget and the size of that budget depends
on how much the interest cost is and the annual
treatment of repayment, of course, and that in
itself is going to have a bearing on how much
of these, shall I say, luxuries or necessities,

1 whatever it happens to be, can that community
2 afford. The more you are paying the less you
3 can put into your project. That seems to be
4 quite evident.

5 MR. EMMOTT: Our borrowings, Mr. Chairman,
6 for sewers, local improvements, sidewalks, street
7 lighting and paving we feel should be about \$3½
8 million a year so you can see that it is a
9 fairly expensive outlay by the municipality
10 and I might add that we have a municipality
11 of 40 square miles, approximately the size
12 of Vancouver, with a population of 97,730.

13 The works that we can entertain in
14 the next 15 or 20 years would be valued at
15 many millions of dollars for the completion of
16 the sewage system, drainage system, ornamental --
17 I do not like that word -- ornamental street
18 lighting, sidewalks and paving -- it runs into
19 millions of dollars so we have to look ahead
20 to determine the impact of the interest rates
21 on the municipality.

22 COMMISSIONER LEMAN: You mentioned the
23 fact that in a rapidly growing community there
24 are certain factors that influence you and in
25 a more stable community the picture changes
26 somewhat. Now, presumably in the fast growing
27 community you really feel you are behind the
28 times, you always have lots of work ahead of
29 you so that because interest rates would be
30 somewhat down from what they would be a year or
so ago, it would not cause you to undertake more.
Is that the sense of what you said, you are
always quite a bit behind anyway?

MR. McCAFFERTY: I think what you really

to see that community

around. The more you are giving the less you
can put into your pocket. That seems to be

quite typical

lighting and giving us food should be about 25%

million a year so you can see that it is a
fairly expensive country by the municipality

and I might add that we have a municipality

of 40 square miles, approximately the size

of Vancouver, with a population of 27,000.

The works that we are undertaking in

the next 10 or 20 years would be valued at

many millions of dollars for the completion of

the sewage system, drainage system, etc. --

I do not like to say -- municipal affairs

ordinarily, but it is -- it is a big

million of dollars so it has to look ahead

to the future and the aspect of the interest rates

of the municipality.

That is in a rapidly growing community there

are certain factors that influence you and the

and in this community the people are all

concerned, but especially in the last few years

and really you realize that you are coming the

time. You always hear lots of talk about it

you so that because interest rates would be

something down from what they would be a year or

so they would not cause you to make a move.

Is there a chance of that you ask, you are

never. It is a big thing to say.



1 do is you determine what seems to be a
2 reasonable level of income and you go ahead
3 according to it. Some people think we need
4 our streets paved much more rapidly than what
5 they are being paved now. Others think we should
6 have a great many community amenities. We do
7 not think along the lines of a theatre such
8 as Vancouver has got. I am not saying anything
9 against the Vancouver theatre but some communities
10 believe they should have that sort of thing.
11 You have to weigh up the real needs of the
12 community and spend your money accordingly.

13 In Burnaby we have -- first of all we
14 spend our money in replacing our water system .
15 It got into pretty horrible shape over the years
16 of the depression and so on and then we paved
17 our roads and put in sewers. Latterly we
18 have been paving roads. Our water system is
19 in top shape. We still have to spend money on it
20 because as we grow we have to put in special
21 facilities etc., to supply water to some of our
22 higher areas and so on but the last several
23 years we have been directing our efforts into
24 sewerage as much of the community as we can
25 and what is a frightful problem in this province
26 and especially in this area to provide storm
27 drainage.

28 The paving of roads has been proceeding
29 to the extent that we have the financial ability
30 to look after it left over after these other
problems. We are just now getting into proper
street lighting. This current year we had a bylaw
of the people asking if they would agree to spend
\$1,500,000 on our parks to be spread over a five-year



1 period at \$300,000 a year. Our parks to a
2 certain extent -- we have not spent as much
3 time and money on them as what we would have
4 liked to but with the wisdom of the past we felt
5 that we were not ready to do so until now.

6 So it goes. In other words, in a lot
7 of communities you determine what appears to be
8 a reasonable tax structure and you tailor your
9 expenditures somewhat to that. That is not
10 strictly true but there are some things where
11 you say, well, we have to have them and if you
12 must raise your mill rate you do so but you have
13 an eye to the tax bill when you spend on your
14 programme.

15 COMMISSIONER LEMAN: You are still
16 talking on behalf of the fast growing community
17 and I was trying to contrast your experience
18 with that of the more stable community. You see,
19 Mr. McCafferty, I think one of our problems today
20 is to try to determine to what extent municipalities
21 might or might not be sensitive to changes in
22 monetary policy. There is a lot of argument about
23 this -- how far does it go into the economy,
24 how much does it encourage development and
25 activating the economy of each monetary policy
26 and vice versa. Therefore, a stable community,
27 from your example of what they do, would they
28 be more sensitive than what you are and not
29 adapt your attitude to what you call dollar
30 average at interest rates over the period?

MR. McCAFFERTY: I think that is precisely
the case. Municipalities' revenues are quite
restricted. There is your tax on land and
improvements, you must tax machinery for school



1 purposes, you may tax machinery for current
2 purposes. Burnaby does. So that in a stable
3 community -- if I can use that expression, I
4 really do not like that word -- some so-called
5 stable communities are very unstable -- so
6 if your economy is built around your tax bill
7 obviously if you begin to take on a capital
8 expenditure the only thing you can do for that
9 is to raise your taxes and if your interest cost
is too great you cannot do it.

10 The tax on land and improvements is
11 not the only source of revenue available to you.
12 The municipalities get supplementary grants
13 from the province, they share the cost of
14 certain services such as schools and social
15 welfare with the provincial governments. You
16 can get revenue from local business, through
17 trade licensing, or you may have a business
18 tax and charge fees for a number of services.
19 But by and large revenue receivable from those
20 particularly sources in any community that is not
21 growing will remain the same year after year
22 after year unless something happens to change
23 it. The government may make a greater grant
24 or you will have to raise your taxes. So if your
25 tax bill is carried higher like this in some
26 communities in this province they just won't take
27 on any further obligations.

28 In the last three years there have been
29 quite a number of cases where school bylaws
30 have met with defeat. People would not go for
them because they did not want to pay any more
taxes to provide the schools. They have turned
down water bylaws and sewer bylaws and one year
there was quite a raft of sewer bylaws that were



1 defeated.

2 COMMISSONER BROWN: Would this be because
3 of the size of the borrowing? This is the nub
4 of the matter. To what extent does the higher
5 interest rate affect the voters saying yes or
6 no to these projects? Perhaps I should not put
7 you in the political arena. Perhaps the Reeve
8 might speak on that.

9 MR. McCAFFERTY: This is a difficult question
10 to answer.

11 MR. EMMOTT: I would attempt to answer that,
12 Mr. Chairman, and it is really a reiteration of a
13 former remark, that I do not think at the time of
14 the submission of the bylaw that the voter is
15 giving consideration, the average voter, to the
16 interest rate. However, the bylaws that the
17 council can recommend to the populace, the extent
18 of them is governed by the interest rate; in other
19 words, what can you reasonably take on in a given
20 year?

21 COMMISSIONER BROWN: In other words, if
22 I may interrupt there, your analysis is that the
23 interest rate might affect the size of the borrowing
24 but it won't affect whether they put up bylaws or
25 not. It is just whether they put a bylaw up for
26 \$800,000 or \$1,000,000 but they will go ahead
27 and put the bylaw up?

28 MR. EMMOTT: Yes, I would say that is
29 true, Mr. Brown.

30 COMMISSIONER BROWN: It is just your
opinion I am asking for.

THE CHAIRMAN: It is the total amount that
they are concerned with. They look at the total
amount and they are not concerned as to whether



1 a quarter of it is in interest or one-tenth of
2 it is in interest or otherwise?

3 MR. EMMOTT: I think it has been fairly
4 well established that an article selling for
5 \$2 will likely not sell as readily as one selling for
6 \$1.99. I might add gratuitously, Mr. Chairman,
7 that I think the submission of John Kenneth
8 Galbraith in *The Affluent Society*, is a particularly
9 apt one when he pointed out quite well that we
10 spend billions of dollars inducing artificial
11 needs when they are crying out in the municipalities
12 for needs about which people need not convincing.
13 We can spend untold millions of dollars on
14 municipal services from one end of Canada to the
15 other and nobody has to be convinced that they
16 are necessary. However, when it comes to voting
17 on a \$1½ million or \$5 million bylaw people feel
18 somehow it is much easier to vote "no" and that
19 somehow magically or mysteriously all problems
20 will correct themselves.

21 COMMISSIONER GIBSON: What you are saying
22 is that the critical thing is really the tax rate.
23 If you are in a growing community you can look
24 forward to larger expenditures with much less
25 pressure on you than if you are in a stable
26 community when you actually raise the tax level
27 above what the citizens of that community regard
28 as reasonable. Then you really encounter
29 resistance whether this comes from interest rates
30 or other reasons?

MR. EMMOTT: Yes.

COMMISSIONER GIBSON: What I want to ask
you is this following out of that: Admitting that
these are the main things, nevertheless when the

a quarter of it is in interest on one-third of

it is in interest on otherwise?

MR. BROWN: I think it has been fairly

well established that an article selling for

\$2 will likely not sell as readily as one selling for

\$1.99. I might add gratuitously, Mr. Chairman,

that I think the submission of John Kenneth

Gilbreth in The Alibi Society, is a particularly

apt one when he pointed out quite well that we

assume billions of dollars' indebtedness; artificial

needs when they are crying out in the municipalities

for needs about which people need no convincing.

We can spend untold millions of dollars on

municipal services from one end of Canada to the

other and nobody has to be convinced that they

are necessary. However, when it comes to voting

on a \$15 million or \$20 million bylaw people feel

somehow it is much easier to vote "no" and that

somehow magically or mysteriously all problems

will correct themselves.

COMMISSIONER GIBSON: What you are saying

is that the critical thing is really the tax rate.

If you are in a growing community you can look

forward to larger expenditures with much less

pressure on you than if you are in a stable

community when you actually raise the tax level

above what the citizens of that community regard

as reasonable. Then you really encounter

resistance whether this comes from interest rates

or other reasons?

COMMISSIONER GIBSON: What I want to ask

you is this following out of that: Admitting that

these are the main things, nevertheless when the



1 council sits down to discuss a capital project
2 and decides what view it wants to take on it
3 does the fact that the present rate of interest
4 is 6 per cent as compared with, say, 4 per cent
5 three or four years ago have a significant
6 effect on their thinking; in other words, do
7 they try to pare this project down a little
8 to make it more of an economy model?

9 MR. McCAFFERTY: I would say no. I
10 am saying exactly the opposite to what my
11 Reeve is and for this reason: I should have
12 brought this point up before. When you judge
13 the cost of your financing in comparison with
14 your economy you do not save money in putting off
15 the matter to some future date when interest rates
16 are lower when a great deal of your other costs
17 are going to be higher. Our labour costs are
18 rising annually from $1\frac{1}{2}$ to 10 per cent, depending
19 on what the time happens to be when the employees
20 come to bargain with us and the costs of our supplies
21 have increased over the years and it seems to me
22 that if you put off a project for three years
23 just because the rate happens to be 6 per cent
24 and three years from now it is 5 per cent you are
25 not saving very much.

26 MR. EMMOTT: Mr. Chairman, I think you
27 have got the Treasurer and me into an argument.
28 We may perhaps be talking past each other to some
29 extent. The $\$1\frac{1}{2}$ million parks bylaw which came
30 before council, the recommendation of the Parks
and Recreational Commission last fall was accompanied
by the cost of this bylaw if we, say, inserted an
item in the amount of \$300,000 in the budget for
a year and simply carried out this work. It would

council also down to discuss a capital project
and decides what view it wants to take on it
does the fact that the present rate of interest
is 6 per cent as compared with, say, 4 per cent
three or four years ago have a significant
effect on their thinking; in other words, do
they try to save this project down a little
to make it more of an economy model?
MR. MCGAHEY: I would say no. I
am saying exactly the opposite to what you
have said for this reason: I should have
brought this point up before. When you judge
the cost of your financing in comparison with
your economy you do not save money in putting off
the matter to some future date when interest rates
are lower than a great deal of your other costs
are going to be higher. Our labor costs are
rising annually from 1 1/2 to 10 per cent, depending
on what the time happens to be when the employees
come to bargain with us. Another cost of our supplies
have increased over the years and it seems to me
that if you put off a project for three years
just because the rate happens to be 6 per cent
and three years from now it is 9 per cent you are
not saving very much.
MR. MCGAHEY: Mr. Chairman, I think you
have got the Treasurer and me into an argument.
We may perhaps be talking past each other to some
extent. The \$15 million public works which came
before council, the recommendation of the Public
and Recreational Commission last fall was accompanied
by the cost of this public works, which, I understand
them in the amount of \$300,000 in the budget for
a year and simply carried out this work. It would



1 have been out of current levying or whether we
2 sold bonds, as we are going to sell them, in amounts
3 of \$300,000 over a period of five years or whether
4 we borrowed that \$4,500,000 in one fell swoop.
5 This was worked out, and while I would certainly
6 agree with Mr. McCafferty that before someone
7 shies away from borrowing, one had better take
8 into account the erosion in terms of increased
9 costs -- salaries, and so on -- and deterioration
10 of works, and so on. Nevertheless, I believe that
11 a significant number of elected people do look
12 at this and say, "Well, this is going to cost too
13 much. It is \$1 million, so let us cut it back
14 to \$800,000", and I would submit there is a good
15 deal of caution on the part of elected people
16 regarding the amount of the bylaw with which
17 you go to the people.

18 COMMISSIONER BROWN: But the effective
19 interest rate is not a factor in arriving at
20 that decision?

21 THE CHAIRMAN: Except that it may be
22 the increase of interest that has brought it to
23 a point where they decide to cut it back.

24 MR. McCAFFERTY: In this particular
25 example it was determined that the community
26 could much easier finance any actual sales of
27 debentures involved in the annual cost of the
28 community, to finance a programme of \$300,000
29 a year for this purpose, rather than borrowing
30 a million and a half in one case, and it was
realized that currently the interest cost
would be, maybe, $5\frac{1}{2}$ per cent over a 20-year
period, and it might be lower next year or
more next year, but whatever it may be, that

have been out of current having on the other hand
sold bonds, as we are going to sell them, in amounts
of \$300,000 over a period of five years or whatever
we borrowed that \$1,500,000 in one fell swoop.

This, now worked out, and while I would certainly
agree with Mr. McGraw-Hill that before someone
shies away from borrowing, one had better take
into account the reason in terms of increased
costs -- salaries, and so on -- and deterioration
of works, and so on. Nevertheless, I believe that

a significant number of affected people do look
at this and say, "Well, this is going to cost too
much. It is \$1 million, so let us cut it back

to \$300,000", and I would submit there is a good
deal of caution on the part of affected people
regarding the amount of the system with which

you go to the people.

COMMISSIONER BROWN: Now the effective

interest rate is not a factor in arriving at

that decision?

THE CHAIRMAN: Except that it may be

the interest of interest that has brought it to

a point where they decide to cut it back.

MR. McGRAW-HILL: In this particular

example it was determined that the community

could much better finance any actual sale of

debtments involved in the actual cost of the

community, to finance a program of \$300,000

a year for the purpose, rather than borrowing

a million and a half in one case, and it was

realized that certainly the interest cost

would be, maybe, 5 1/2 per cent over a 20-year

period. And



1 the municipality of Burnaby could much more
2 easily afford to finance a borrowing programme
3 of \$300,000 a year for five years than it could
4 borrowing \$1½ million in one year, especially
5 in view of the fact we have other borrowings
6 for other purposes.

7 COMMISSIONER GIBSON: Would you want to
8 say anything about the market for municipal
9 debentures or bonds? Do you regard it as adequate --
10 developing? Do you find circumstances where it
11 won't take all the bonds that you would like to
12 put out?

13 MR. McCafferty: Well, our community
14 has had, shall I say, in earlier years a difficult
15 time, because of our history. We are one of the
16 communities in default during the 30's, just
17 as with some big name cities in this country;
18 but because of that, we, as a community, have
19 had to work a little harder in making ourselves
20 known across this country as a good credit risk.
21 I think I can say we have some of the best presented
22 financial statements you will find anywhere, and
23 we have a wide distribution of them. The dealers
24 tell me that as long as I do not dump any more
25 than \$1½ million or \$ 2 million a year in their
26 hands they can dispose of the debentures, usually.

27 COMMISSIONER GIBSON: In other words,
28 there is at any given time a sort of limit at
29 the prevailing rates of interest?

30 MR. McCafferty: There seems to be a
definite limit. It depends what type of merchandise
you have. If you come out with a 20-year sinking
fund issue, which you can do in this province only
if it is guaranteed by the Province of British

the municipality of Birmingham could much more easily afford to finance a borrowing programme of £300,000 a year for five years than it could borrowing £1½ million in one year, especially in view of the fact we have other borrowings for other purposes.

COMMISSIONER GILSON: Would you want to

say anything about the market for municipal debentures or bonds? Do you regard it as adequate -- wouldn't take all the bonds that you would like to put out?

MR. McCARTHY: Well, our company has not, shall I say, in earlier years a difficult time, because of our history. We are one of the communities in default during the 30's, just as with some big cities in this country; but because of that, we, as a community, have had to work a little harder in making ourselves known across this country as a good credit risk. I think I can say we have some of the best presented financial statements you will find anywhere, and we have a wide distribution of them. The dealers tell me that as long as I do not dump any more than £1½ million or £2 million a year in their hands they are pleased of the debentures, usually.

COMMISSIONER GILSON: In other words,

there is no very great time limit at the prevailing rates of interest?

MR. McCARTHY: There seems to be a definite limit. It depends what type of merchandise you have. If you come out with a 20-year sinking fund bond, which you can do in this province only



1 Columbia, you can sell those bonds to big insurance
2 companies and so on who are interested in that
3 type of security. A local improvement works ,
4 which totals \$1 million a year -- the payments
5 one to ten years on the sewer bonds, and sidewalks
6 one to fifteen years -- the dealers must find
7 people who are interested in that relatively short
8 period of time. We mention in the brief the
9 banks, and especially our own bank, picks up
10 the first five years of our issues as a rule,
11 and the rest of the bonds are sold to pension
12 funds and local citizens. We sold an issue of
13 around \$800,000 in December, and at the moment
14 I find myself registering bonds in the sums of
15 one to twenty-five thousand dollars in the names
16 of individuals or very small companies. Yes,
17 we seem to be able to market our bonds.

18 COMMISSIONER GIBSON: And your market
19 for the serial bonds is mostly a local market,
20 whereas for the fixed bond issues you have a
21 national market for those?

22 MR. McCafferty: I would say we have
23 a national market for the shorter term ones
24 too of a very different type of customer, but
25 you are asking me about our case -- not the case
26 of the municipalities in this province?

27 COMMISSIONER GIBSON: Yes.

28 MR. McCafferty: I think each community
29 has its own credit rating, and its own ability
30 to market its bonds. Some are more thought of
than others. Our neighbour, the City of New
Westminster, almost without question has no
difficulty in selling its bonds. It is a very
highly rated community financially, and they market

Columbia, you can sell those bonds to big insurance
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for the serial bonds is mostly a local market,
whereas for the fixed bond issues you have a
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MR. McCARTHERY: I could say we have
a national market for the shorter term ones
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of the municipalities in this country?

MR. McCARTHERY: I think each community
has its own credit rating, and its own ability
to market its bonds. Some are more thought of
than others. Our neighbors, the City of New
York, almost without exception has no
difficulty in selling its bonds. It is a very
highly rated community financially, and they market



1 their bonds quite readily.

2 COMMISSIONER LEMAN: In this complex of
3 laws under you which you have to operate etc.,
4 and the behaviour of the market etc., would you
5 mind commenting a little bit, if there much scope for
6 skill in the financial part of the council and
7 its treasurer, or very little. In other words,
8 do you feel bound by too much regulation and too
9 much limitation on the way to go about meeting
your needs?

10 MR. McCAFFERTY: Mr. Reeve, would you like
11 to answer that one, please?

12 MR. EMMOTT: No, I would prefer not to.

13 COMMISSIONER BROWN: Perhaps I should
14 comment, as an investment dealer in Vancouver,
15 and say that Mr. McCafferty does a top-notch
16 job of preparing these bond issues for the market,
17 and there is a considerable difference between
the marketing of Burnaby bonds and some others.

18 MR. EMMOTT: As a result of the
19 great confidence we have in Mr. McCafferty,
20 Mr. Chairman, I have not worried myself too much
21 about this aspect of it.

22 COMMISSIONER LEMAN: Perhaps I should
23 re-phrase my question. I don't think I meant to
24 refer to you particularly -- from your answer,
25 this is quite evident. I am talking about the
26 position in general of a municipal treasurer and
27 his relations with his council: How much scope
do the present laws etc., leave for skill in
financing?

28 MR. McCAFFERTY: I didn't quite take that
29 meaning from your first expression of the question,
30 but I will answer the first one first, as Mr. Reeve



their bonds quite readily.

COMMISSIONER BROWN: In this complex of

Jaws under you which you have to operate etc., and the behavior of the market etc., would you mind commenting a little bit, if there's much scope for skill in the financial part of the council and its treasurer, or very little. In other words, do you feel bound by too much regulation and too much limitation on the way to go about meeting your needs?

MR. MCCARTHY: Mr. Reeve, would you like

to answer that one, please?

MR. REEVE: No, I would prefer not to.

COMMISSIONER BROWN: Perhaps I should

comment, as an investment dealer in Vancouver, and say that Mr. McGarry does a top-notch job of preparing these bonds issued for the market, and there is a considerable difference between the marketing of garbage bonds and some others. MR. REEVE: As a result of the great confidence we have in Mr. McGarry, Mr. Chairman, I have not worried myself too much about this aspect of it.

COMMISSIONER BROWN: Perhaps I should

rephrase my question. I don't think I mean to refer to you particularly -- from your answer, this is quite evident. I am talking about the position in general of a municipal treasurer and his relations with his council: how much scope do the present laws etc., leave for skill in financing?

MR. MCCARTHY: I didn't quite take that meaning from your first expression of the question, but I will answer the first one first, as Mr. Reeve



1 has not chosen to do so. Our municipality
2 made representations with the Union of British
3 Columbia Municipalities within certain well
4 defined limitations, that the municipalities
5 in this province should be permitted to borrow
6 money for either public utilities, sewers, water
7 mains, and also we have electric light, and so on:
8 Any type of enterprise that qualifies as a self-
9 liquidating enterprise under the laws of this
10 province. To secure money for these utilities
11 at the present time you must have a vote of
12 the electorate, and you must have a 60 per cent
13 majority, and we have found ourselves getting a
14 54 per cent majority -- 54 per cent majority
15 of 30 per cent of the electorate -- and the
16 feeling is that for a necessity -- and a sewer
17 system or a water system is a necessity in any
18 community -- it is felt council should be permitted
19 to get its capital funds without a vote. Now,
20 the resolution that went to the Union of British
21 Columbia Municipalities put ample safeguards
22 to the people. There is no thought of saying
23 that the Council shall do as it pleases, or
24 anything like that. Personally, as a treasurer,
25 I don't find too many restrictions I am faced
26 with. The restrictions are all written down in
27 the Municipal Act, and the Municipal Act says
28 the Treasurer is responsible for various things,
29 and it makes it his duty to do them. In other
30 words, if a municipal council wants to spend
money that it borrowed for building water lines
on building a coliseum, then I have a duty in
writing to advise council that that is an illegal
expenditure, and so on. I don't know of any case



1 where a treasurer has ever had to do that in this
2 province, but the responsibility is there.

3 MR. EMMOTT: I wonder if I may venture
4 an opinion here, Mr. Chairman and gentlemen: I
5 didn't quite understand the question, but I
6 think I do now. Regarding flexibility of
7 municipalities with respect to borrowing for
8 various municipal needs, as a member of the
9 Vancouver Metropolitan Joint Committee, I have
10 the opportunity of not only studying the practices
11 in various countries, but of actually going to
12 various countries to see it first hand -- the
13 degree of authority given to municipal councils,
14 and it is quite significant to me that over in
15 Great Britain very few issues were put to the
16 people. This is something that perhaps does not
17 go down very well with many citizens who somehow
18 feel that they are being by-passed, which I do not
19 consider to be the case. But, here is an example:
20 Burnaby is a member of the Greater Vancouver
21 water district and the Greater Vancouver sewerage
22 and drainage district, and we could, hypothetically,
23 have every single trunk and sewage treatment
24 plant installed to serve the ultimate development
25 of Burnaby without one municipal lateral, and this
26 is quite a hypothetical case, I grant you, but
27 we could, as far as the law is concerned, have
28 the Greater Vancouver sewage and drainage district
29 do all this and incur a debt in the order of
30 many millions of dollars, and yet not be able to
get the consent to put in necessary laterals to
join up with these. The same thing is true of
the water district: For the internal system,
which depends upon an adequate trunk system,

...but the responsibility is there.

MR. BARNETT: I wonder if I say anything

in addition here, Mr. Chairman and gentlemen; I

didn't quite understand the question, but I

think I do now. Regarding liability of

various municipal boards, as a member of the

San Francisco Metropolitan Joint Board, I have

the opportunity of not only studying the policies

in various countries, but of actually going to

various countries to see it first hand -- the

degree of authority given to municipal councils,

and it is quite significant to me that over in

Great Britain very few issues were put to the

people. This is something that certainly does not

go down very well with many officials who are

used that they are being tyrannical, which I do not

consider to be the case. But, here is an example:

London is a member of the Greater London

Water District and the Greater London Council

and London is divided, and we would, hypothetically,

have water, sewage, gas and electric companies

planned to be under the greatest development

of London without one municipal council, and this

is quite a hypothetical case, I guess you, but

we could, as far as we are concerned, have

the Greater London Council and Greater London

do all this and have a lot in the way of

many millions of dollars, and yet not be able to

get the council

to do it.



1 you must obtain the consent of the people --
2 some 60 per cent of the votes cast. Why it is
3 60 per cent, Heaven only knows. Why it isn't
4 55 per cent or 85 per cent, or something like
5 that -- people get elected with a minority vote,
6 but you cannot pass one of these with less than
7 60 per cent. But, the Greater Vancouver water
8 district has on behalf of Burnaby installed many
9 valuable works, and we have simply made the
10 request through Council to the Greater Vancouver
11 water district and they have acceded to our
12 request and these works have gone on. The
13 resolution that for the first time received an
14 endorsement of the British Columbia municipalities
15 last fall was as follows: That in respect of
16 self-liquidating utilities -- and in our case
17 this would be water and sewer -- for the extension
18 and renewal of these services, that municipal
19 council should be given the power to borrow
20 money with the following safeguards: A two-thirds
21 majority of Council, a consent of the Lieutenant
22 Governor in Council, the Provincial Government --
23 and they have to do this anyway -- and the Inspector
24 of Municipalities-- the Department of Municipal
25 Affairs, is not going to permit any municipality
26 in British Columbia to borrow in an improper
27 manner; and a further safeguard, that in the
28 event that 10 per cent of the owner-electors
29 demand a plebiscite that a plebiscite must be
30 held, and we are anxiously awaiting the results
of the submission of this resolution, because
I firmly believe that this is going to be the
coming thing, that nobody can convince me that
a member of a legislative assembly or provincial



1 parliament or a member of the House of Commons
2 is a more responsible person than a mayor or
3 a reeve or an alderman or a councillor, with
4 all these additional safeguards. I do not
5 recall at the time Mr. Fleming changed the
6 tax on cigarettes his writing to me asking me
7 what I thought.

8 COMMISSIONER MACKINTOSH: You will still
9 probably have a chance to express your opinion.

10 MR. EMMOTT: I did: I gave up smoking.

11 THE CHAIRMAN: Thank you very much,
12 gentlemen. The discussion has been of very great
13 interest to us and perhaps given us a view of the
14 problems of municipalities such as Burnaby, which
15 I think fit into the whole picture that we have
16 to deal with, and I am very much obliged for
17 your presence today.

18 We shall now adjourn until 2 o'clock.

19 --- Luncheon adjournment.
20
21
22
23
24
25
26
27
28
29
30

...with
all these additional safeguards. I do not
recall at the time Mr. Fleming changed the
text on cigarettes his writing to me asking me
what I thought.

COMMISSIONER MACKINTOSH: You will still
probably have a chance to express your opinion.
MR. SMITH: I did. I gave up smoking.
THE CHAIRMAN: Thank you very much.
Gentlemen. The discussion has been of very great
interest to us and perhaps given us a view of the
problems of municipalities such as Berkeley, which
I think fit into the whole picture that we are
to deal with, and I am very much obliged for
your presence today.
We shall now adjourn until 2 o'clock.

--- Luncheon adjournment



SUBMISSION OF THE BUILDING OWNERS
AND MANAGERS ASSOCIATION, VANCOUVER,
BRITISH COLUMBIA.

Appearances:

James H. Green	- President
Leslie C. Creery	- Committee Member
Theodore DuMoulin	- Counsel
Ernest R. Austin	- Committee Member

EXHIBIT 5: Brief of the Building Owners and
Managers Association, Vancouver,
British Columbia.

THE CHAIRMAN: The Building Owners
and Managers Association, Vancouver, Mr. DuMoulin.

MR. DuMOULIN: Mr. Chairman, my name
is Theodore DuMoulin. I am a member of the
Bar of this Province and I am appearing for The
Building Owners and Managers Association, Vancouver,
British Columbia. This Association, as stated
in the Brief which has been filed, consists of a
membership numbering forty-five buildings represented
by individuals, firms and corporations in this city --
it sounds strange but like ships in the navy the
members of this organization are represented by
buildings. They are represented by firms and
corporations of this city -- and twenty-two
buildings similarly represented having associate
membership in Victoria, Edmonton, Calgary, Regina
and Winnipeg. The membership is listed in
Appendix "A" to the brief.

I realize that our brief is taken as
read by the Commission and I do not intend to
take up the Commission's time by reading it now

BRITISH COLUMBIA

Exhibits

- | | |
|--------------------|--------------------|
| - President | James H. Green |
| - Vice-President | Jackie O. Green |
| - General | Theodore D. Duffin |
| - Committee Member | Ernest R. Austin |

Exhibit 1: List of the Building Owners and

THE CHAIRMAN: The Building Owners and Managers Association, Vancouver, Mr. Duffin.

MR. DUFFIN: Mr. Chairman, my name

is Theodore Duffin. I am a member of the Board of this Province and I am speaking for the Building Owners and Managers Association, Vancouver.

British Columbia. This Association, as stated

in the report which has been filed, consists of a

membership numbering forty-five buildings represented

by individuals, firms and corporations in this city --

it sounds strange but like ships in the navy the

members of this organization are represented by

buildings. They are represented by firms and

corporations of this city -- and twenty-two

buildings similarly represented having associated

membership in Victoria, Port Moody, Oakridge, Regina

and Winnipeg. The membership is listed in

Appendix "A" to the report.

I believe that our order is based on

and the Co

take up the Co



1 and I propose only to summarize what my clients
2 contend. Then I propose introducing to the
3 Commission Mr. Green, the President of the
4 Association and certain members of the Special
5 Committee who are here and who are experts in
6 their field and would like to address you and
7 to answer any questions you may have.

8 First I wish to make it abundantly
9 clear that my clients' submission is of a positive
10 and constructive nature, not negative or destructive
11 criticism, which it might perhaps be thought to
12 be in some sources.

13 We wish to discuss one particular phase
14 of the methods of operation of one of the most
15 vital institutions in Canada; an institution
16 which was created almost thirty years ago as
17 the direct result of the recommendations of the
18 predecessor of this Royal Commission, the one
19 headed by Lord MacMillan which was appointed in
20 1933. I refer, of course, to Canada's central
21 bank, the Bank of Canada.

22 My clients feel strongly that parliament
23 had very good reason for forbidding the Bank of
24 Canada from engaging in any trade or business
25 whatsoever not specifically authorized by the
26 Act and there is a reference to that citation
27 in the brief, of course. Among those reasons
28 were three or four. One is that:

29 (a) It might be unduly influenced by
30 others participating in such trade or
business, for instance tenants of office
buildings if it engaged in the business
of renting office space.

(b) It might engage in speculative

and I propose only to summarize what my client
contends. When I propose introducing to the
Commission Mr. Green, the President of the
Association and certain members of the Special
Committee who are here and who are experts in
their field and I will like to address you and
to answer any questions you may have.

Now I wish to make it abundantly

clear that my client's position is of a positive
and constructive nature, not negative or destructive
criticism, which is at the moment being thought to
be in some sources.

As with the former and particular phase

of the method of operation of one of the most
valued institutions in Canada, an institution
which was created almost thirty years ago as
the direct result of the recommendations of the
Commission of this Royal Commission, the one
headed by Lord Macmillan which was appointed in
1927, or, of course, to Canada's central

bank, the Bank of Canada.

My client feels strongly that parliament

had very good reason for forming the Bank of
Canada from amongst its own funds or resources
whatsoever and specifically authorized by the
Act and that as a reference to some evidence
in the history of course, that those reasons
were there at that time in fact:

(1) It might be said, influenced by
certain participating in such trade or
business, for instance, for instance, for instance



enterprise with tax payers' money.

(c) It should concentrate all its efforts on its own mission which is clearly defined in the preamble to the Bank of Canada Act of 1934 as mentioned in paragraph 5 of the brief.

Here we point out, as I think the Chairman is well aware, that at the present day it is seldom you find any preamble in an act of parliament so that when there is a preamble in an act of parliament it usually is put in there designedly and for the purpose of being the key to what the intention of parliament was in passing that act.

In this connection, it is interesting to note that the MacMillan Royal Commission on page 63 of its report refers to:

"a central bank, working as it does purely in the monetary sphere".

Then again on page 65 the report states:

"It has in practice been found that a central bank can give most effective service to the community if it is free from the fear of interference for political ends in operating the delicate mechanism of the national monetary and financial machine. Certain statutory limitations have almost invariably been adopted in order to emphasize the national character of the bank."

I just refer to certain provisions as there are in this act following this report. Then again on page 68 the report states:

"One further point on which we may add some observations relates to

entertain with the private money.
(c) It should concentrate all its efforts on its own mission which is clearly defined in the preamble to the Bank of Canada Act of 1954 as mentioned in paragraph 2 of the report.
Here we point out, as I think the Chairman has well stated, that at the present day it is seldom you find any purpose in an act of parliament so that when there is a purpose in an act of parliament it usually is not an end in itself and for the purpose of being the key to what the intention of parliament is in passing that act.

In this connection, it is interesting to note that the Macmillan Royal Commission on page 62 of its report refers to:
"a central bank, working as it does purely in the monetary sphere."
Then again on page 66 the report states:
"It has in practice been found that a central bank can give most effective service to the community if it is free from the fear of interference from political and other influences."
The Commission have almost invariably been asked in order to maintain the national character of the bank.
I just refer to certain facts in this report. This report, when again on page 68 the report states:



1 the cost of establishing and operating
2 a central bank. In all that we have
3 written above we have presupposed an
4 organization adapted in its structure
5 and size to the present Canadian
6 system."

7 Of course they were then referring to something
8 in 1933 --

9 "Such an organization need
10 be neither large nor expensive; its capital
11 could be of modest dimensions; so that
12 there would be no need of large earnings
13 in order to pay the statutory dividend."

14 Of course we realize the structure of the bank
15 has changed since it was originally set up --

16 "The physical organization
17 of the bank need be neither elaborate
18 nor widespread. Its main activities,
19 apart from the function of distribution
20 of currency, in which it would substitute
21 its services for those now performed by
22 the offices of the Receiver General, would
23 be concentrated in a single head office."

24 The only other thing which I wish to add
25 at the present time is that since paragraph 6
26 of the brief was written -- where we sort of
27 intimated that it appeared that the bank was going
28 to build a building in Vancouver -- I have been in
29 correspondence with the Governor of the Bank of
30 Canada in which I asked him on behalf of my clients
what the Bank's intentions were with respect to this
proposed building and I have received a reply which
I would like to read. I did ask the Secretary
to give copies to the Commissioners. I think

the cost of establishing and operating
a central bank. In all that we have
discussed above we have presupposed an
organization adapted to its situation
and also to the present Canadian
system."

Of course they were then referring to something
in 1908 --

"Such an organization held

no further large nor original. Its capital
could be of modest dimensions; as that
it would be in need of large earnings
in order to pay the necessary dividend."

Of course we realize the structure of the bank
has changed since it was originally set up --

"The typical organization

of the bank and its various departments
notwithstanding. Its main activities
centered round the function of distribution
of currency, in which it would maintain
its position for those now performed by
the office of the Receiver General, would
be concentrated in a single head office."
The only other thing which I wish to add

at this present time is that since January 1
of the bank was written -- and we have
learned that it appeared that the bank was going
to build a building in Vancouver -- I have been

correspondence with the Governor of the Bank of
Canada in which I asked him on behalf of my clients
what the bank's intentions were with respect to this
proposed building and I have received a reply which
I would like to send. I shall only say that



1 my clients want to refer to this letter later
2 on and perhaps I should not read it all now
3 because I think Mr. Green will be referring to
4 it in the course of his remarks but this does
5 bring it up-to-date that definitely the Bank
6 is resolved to construct an office building
7 on a certain site and it gives the proposed size
8 of the bank and says that there will be a ground
9 floor and mezzanine floor and twelve stories and
it says:

10 "As the requirements of
11 the Bank of Canada and the Industrial
12 Development Bank grow the amount of
13 space available for rental to third
parties will, of course, diminish."
14 So it is clearly anticipated that the major portion
15 of this building will be let out to individual
16 tenants.

17 Just one other thing, Mr. Chairman, that
18 might be of interest. Filed with the Secretary
19 are complete press clippings which appeared in
20 the press concerning this matter since our brief
21 was filed. It has created a tremendous stir in
22 this community as will be seen by the press reports
23 and I thought they might be of interest to the
Commission.

24 With your permission, Mr. Chairman, I
25 would like to introduce to you, Mr. Chairman
26 and Commissioners, Mr. James H. Green, Regional
27 Manager of the Property Investment Department
28 of the Great West Life Assurance Company here
29 who is President of The Building Owners and
Managers Association.

30 MR. GREEN: Good afternoon, gentlemen.



1 Firstly, I would like to express our pleasure
2 in being welcomed to address you which would
3 perhaps be something a little different than
4 you may have experienced in Victoria, if I may
5 attempt to inject some humour into this situation.

6 We are very serious about this. Our
7 association feels and feels very strongly that
8 the Bank of Canada is not adhering to its charter
9 and the original intent and that in fact it is
10 entering into a field of enterprise which traditionally
11 has remained in the scope of free enterprise
12 organizations, private owners and institutions
13 such ours.

14 The way they are doing this, in our
15 opinion, is they are building fairly mammoth
16 banking facilities far and away beyond the reason-
17 able need in our opinion of their organization.

18 We would refer you particularly to
19 Mr. Rasminsky's letter from which Mr. DuMoulin
20 read some excerpts to you.

21 In the City of Vancouver the Bank of
22 Canada has had a branch office for a number of
23 years. Fifteen, I think, would be a fair figure.
24 They have been here, in other words, all through
25 our boom. They presently occupy a small office
26 consisting of perhaps 3,000 to 4,000 square feet
27 plus basement. The Industrial Development Bank
28 has recently moved into new quarters totalling
29 6,500 square feet of space so we have a total
30 of approximately 10,000 to 12,000 square feet
of space that this organization is presently
occupying in the city of Vancouver, British
Columbia.

Mr. Rasminsky has advised us by letter

... - would like to express my pleasure
in being welcomed to address you which would
perhaps be something a little different than
you may have experienced in Victoria. It is my

... the very serious about this. Our
association feels and feels very strongly that
the Bank of Canada is not adhering to its charter
and the original intent and that is that it is
entering into a field of enterprises which traditionally
has remained in the scope of free enterprises

... such cases.
The way they are doing this, in our
opinion, is they are building fairly mammoth
banking facilities far and away beyond the reason-
able need in our opinion of their organization.
We would like you to contribute to
the Bank's efforts in other ways than which Mr. Dewart
has done and we are to you.

In the City of Vancouver the Bank of
Canada has had a branch office for a number of
years. I think I think would be a fair figure.
They have been there in other words, all through
our boom. They are now in a small office
consisting of perhaps 2,000 or 3,000 square feet
in basement. The Industrial Development Bank
has recently moved into new quarters totaling
2,500 square feet of space and have a total
of approximately 12,000 to 15,000 square feet
of space. This organization is presently
operating in the City of Vancouver, British

Colombia.



1 that they are building ~~on~~ with 86,500 square feet
2 of useable space in it, plus vault space of another
3 12,000 square feet which would indicate a total
4 of very close to 100,000 square feet of space,
5 a building which will cost from \$4 million to
6 \$6 million.

7 The present situation is this, that
8 we estimate that they presently employ in total,
9 we feel, 70 employees, 45 of which are employed
10 in the Industrial Development Bank and the balance
11 in the Bank of Canada.

12 Our association has statistics and records
13 to show -- and incidentally these records cover
14 many millions of square feet of space in the
15 United States and in Canadian cities which indicates
16 that it is a reasonable estimate that approximately 130
17 square feet per employee is required.

18 Simple arithmetic will indicate that
19 if Mr. Rasminsky occupies immediately the
20 building as completed 38,500 feet he contemplates
21 and is planning for a staff of 300 employees which
22 again by simple arithmetic would mean that he
23 is going to have four times the number of employees
24 in approximately two and a half years that he has
25 got now.

26 In addition to this if, as Mr. Rasminsky
27 indicated, he is going to require additional space
28 for his own ultimate use he is planning for a total
29 of approximately 650 employees in the Vancouver
30 operation of the Bank of Canada.

31 Gentlemen, I do not wish to bore you with
32 these statistics but I am simply pointing this out
33 to you to indicate that in our opinion the Bank
34 of Canada is in fact getting into the real estate

approximately 2,500 square feet
plus waste space of another
four million square feet (total)
of very close to 100,000 square feet of space,
a building which will cost about \$1 million to

The present situation is that, that
we estimate that they probably employ in total,
we have 10 employees, 15 of which are employed
in the Industrial Development Bank and the balance
in the Bank of Canada.

Our association has established and records
to show -- and incidentally these records cover
many millions of square feet of space in the
United States and in Canadian cities which indicate
that it is a considerable estimate that approximately 15
square feet per employee is required.

Mr. Pennington suggested tentatively that
building of approximately 25,000 square feet in
and in planning for a staff of 300 employees which
again of which the estimate would mean that he
is going to have four times the number of employees
in present need, to have a half means that he has
not now.

In addition to this, it is also likely
indicated, he is going to require additional space
for his present use and he is planning for a total
of approximately 250 employees in the Vancouver
operation of the Bank of Canada.

I am not going to bore you with
these statistics but I am going to say that
to you for
of the



1 business which, as I mentioned earlier, has
2 traditionally been an area for free enterprise.

3 I would like to add this, that our
4 association has no objection to the Bank of
5 Canada building a building for their own use
6 in line with the act of parliament which so
7 permits -- no objection at all. In fact we would
8 welcome it as a proper addition to our city. However,
9 we certainly do object if the Bank of Canada is in
10 fact getting into the business of renting office
11 space.

12 To sum up my brief remarks, gentlemen, we
13 asked ourselves the question: Do these facts and
14 figures indicate to you that the Bank of Canada
15 is adhering to their charter and to the MacMillan
16 Report upon which that charter was based?

17 We would like to suggest that in our
18 opinion the answer is no, they are not and that
19 this appears to us to be another inroad by a
20 government corporation into our field of endeavour
21 which has traditionally been respected as a proper
22 area for free enterprise.

23 Thank you. Gentlemen, I would respectfully
24 like to introduce Mr. Leslie Creery of the city
25 of Vancouver to address you.

26 THE CHAIRMAN: Mr. Creery.

27 MR. CREEERY: Mr. Chairman and gentlemen,
28 I thank you for affording this opportunity to our
29 association to present our views before you. I
30 might say this is the first time I have personally
appeared before a Commission of this nature. I
was here, of course, in 1933 when our late
colourful mayor Gerry McGeer afforded quite a
lot of entertainment but at the same time I think

...as I mentioned earlier, has
...been an area for free enterprise.

I would like to add that, that our
association has no objection to the Bank of
Canada building a building for their own use
in line with the act of parliament which so
permits -- no objection at all. In fact we would
welcome it as a proper addition to our city. However,
we certainly do object if the Bank of Canada is in
fact getting into the business of running cities.

...to the city and
...the Bank of Canada
...to the city and to the
...that charter was passed.

...to suggest that in our
...they are not and that
...this appears to us to be a serious matter by a
...into the field of
...which has traditionally been reserved as a proper
...for the corporation.

Thank you, General, I would respectfully
like to introduce Mr. Leslie Galloway of the city
of Vancouver to address you.

I thank you for extending this opportunity to me
...before you. I
...I have personally
...of this matter. I
...in 1987 when we
...of the
...of the



1 we are missing his influence today in that he was
2 a great -- however, the late Mr. McGeer was a
3 proponent of free enterprise and it is on that
4 point that a large number of our members feel
5 so strongly.

6 Naturally, we are all individuals in
7 our own way as representing the owners of major
8 buildings and it is a very interesting business,
9 this one of developing an office building. As
10 a matter of fact I do not want to bore you but
11 three years ago I had a client who would occupy
12 a good portion of a building and I worked on it
13 for about eight months with an architect and so
14 on. The whole project would run into about
15 \$5 million or \$6 million and I arranged financing
16 through London and New York and by the time I got
17 through with it, had my land obtained and then I
18 got my financing fixed and by that time the
19 original tenant got cold feet and backed out.
20 So the building couldn't go.

21 These are hazards of the occupation which
22 are interesting. They are good for one but they
23 are not hazards that concern an institution such
24 as the Bank of Canada. I don't know who they
25 are answerable to. I doubt very much that if you
26 presented their proposition today to the Building
27 Advisory Committee, for instance, of the Building
28 Owners and Managers of North America of which our
29 chapter here is a member -- and I would say in
30 explanation of that that the Building Owners
and Managers of North America have a special
committee of expert building men who will come for
a fee to any city and examine into the plans and
specifications and the economics of the building of



1 any building -- I don't imagine that any such
2 survey has been made of this building and
3 furthermore I doubt very much whether on the
4 economics as we are faced with them today it
5 would stand up. However, that is beside the
6 point excepting to say that I do not think it is
7 fair or proper that an institution such as the
8 Bank of Canada which was created in the first
9 place by an act of parliament for a certain purpose
10 and which was warned in its charter not to enter
11 into business other than their own business --
12 for them to come here to Vancouver and very
13 definitely enter into the business of renting
14 offices in competition with private enterprise.
15 That, gentlemen, is sincerely and simply what
16 motivates my thinking and my actions in this
17 matter and I know that of a great number of the
18 people interested in major buildings in this city
19 and no doubt through the rest of Canada.

20 There is another point I would like to
21 touch on and that is this: In most of our
22 cities, particularly in the west -- and, of
23 course, I can only compare now with cities
24 below the line, American cities, and you may
25 say, "What have we got to do with them, and what
26 have they got to do with us?" -- but, after all,
27 you can sometimes learn from the other fellow,
28 and we notice there when they come to build
29 federal buildings or state buildings or even
30 civic buildings they seem to have a knack of
getting together and planning it and saying,
"Where do we put this building?", and the whole
thing is worked out, with the result that you will
find in these cities, which are not all going into

... I don't imagine that any such

survey has been made of this building and
therefore I don't know much whether on the
economics of it or not. I think today it
would stand up. However, that is beside the
point excepting to say that I do not think it is
fair or proper that an institution such as the
Bank of Canada which was created in the first
place for the use of Parliament for a certain purpose

and which was named in its charter not to enter
into business other than their own business
for them to come into Vancouver and very
definitely into the business of banking.

That, gentlemen, is directly and simply what
motivated my thinking and my actions in this
matter and I know that of a great number of the
people interested in major buildings in this city
and no doubt throughout the west of Canada.

There is another point I would like to

touch on and that is this: In some of our
cities, particularly in the west -- and of
course, I can only speak now with regard
to the west, American cities, and you may
say, "What have we got to do with them, and what
have they got to do with us?" -- but, after all,

you are sometimes taken from the other fellow,
and we notice there when they come to build
local buildings or state buildings or even
civic buildings they seem to have a knack of
getting together and planning it and saving
"where do we put the building?" and the whole
thing is worked out, when the result that you will



1 decadence, just like any Canadian city of any
2 importance today -- we all have our oldest portions
3 of the city falling by the wayside and losing
4 value, and we have to do something about it,
5 and it can be done by planning and persuading
6 the government authorities to build in a certain
7 area. We have here the Dominion Government who
8 built the post office. That renovated a great deal
9 of the property around that area which was
10 falling back, and still is, if I may say so,
11 and it seems to me that if all the various
12 buildings erected under government agency
13 were to be placed, within reason, within a
14 certain area it would be of much more use to the
15 city. I realize that is not in your scope, Mr.
16 Chairman, but it seems to me that here we have
17 a case of what I term an agency of government --
18 and I realize it is a separate corporation --
19 but we have a banking institution, anyway, which
20 was created for a certain purpose, and it was
21 definitely not the purpose of building buildings --
22 that is, not for rent to other people. They
23 are doing so, and we would like it to be prevented
24 if possible.

25 THE CHAIRMAN: Are there are further
26 comments?

27 MR. GREEN: May I introduce Mr. Harris,
28 Mr. Chairman.

29 MR. HARRIS: Thank you, gentlemen. I
30 will be brief in this matter as I know you are
31 busy, but one thing that concerns us, the Bank
32 of Canada has constructed buildings in the east,
33 we understand, and has rented space, which surprises
34 us. I don't know if there has been any objection
35 to that, but from the quotation here from the

... we all have our oldest portions

... of the way and looking

... value, and we have to do something about it,

... and it can be done by planning and persuading

... the government authorities to build in a certain

... area. We have here the Dominion Government who

... built the post office. That removed a great deal

... of the property around that area which was

... falling back, and still is, if I may say so,

... and it seems to be true if all the various

... buildings erected under government agency

... were to be placed, within reason, within a

... certain area it would be of much more use to the

... city. I realize that is not in your scope, Mr.

... Chairman, but it seems to me that there we have

... a case of what I think an agency of government --

... and I realize it is a separate organization --

... but we have a banking institution, anyway, which

... was created for a certain purpose, and it was

... definitely not the purpose of building buildings --

... that is, not for some other people. They

... are doing so, and we would like it to be prevented

... it possible.

... THE CHAIRMAN: And that is the question

... committee?

... MR. CHAIRMAN: May I introduce Mr. Harris?

... Mr. Chairman.

... MR. HARRIS: Thank you, Mr. Chairman. I

... will be only a few minutes as I know you are

... busy, but one thing that concerns me, the Bank

... of Canada has constructed buildings in the past,

... we understand,

... no I don't



1 suggestions as to some of the main features
2 of the constitution of a central bank for Canada,
3 which was part of the brief of your predecessor,
4 it states very clearly here in general a central
5 bank's powers are defined in order that it may
6 do only the very highest class of business.
7 We agree they are infringing on our high class
8 too. Also, that they invest only in the most
9 liquid types of securities so that it is always
10 in a strong position to come to the aid of
11 the commercial banks in time of need. It would be
12 little use in time of crisis if the central
13 bank had invested largely in assets similar
14 to those of the commercial banks.

15 We contend this is building up their
16 assets, and the banks naturally build expensive
17 buildings, and if they do this across Canada
18 they will tie up a vast amount of money across
19 Canada which is contrary to their intention.

20 MR. GREEN: Sir, I think we have said
21 our bit, and we would be pleased to answer
22 questions, or attempt to.

23 THE CHAIRMAN: It has been pointed out
24 to me that we have no power to take any action
25 at this time in time to prevent them from building
26 this building in 1962. Nevertheless, I think
27 there probably will be a number of questions.

28 MR. DuMOULIN: Could I deal with that
29 point you just raised, Mr. Chairman?

30 THE CHAIRMAN: I am just suggesting --
and I don't know whether you have had any
correspondence -- you have had some correspondence
with the bank and put your case before them?

MR. DuMOULIN: Yes, that is true, Mr.
Chairman, and there has been quite a lot of

suggestions as to some of the main features
of the constitution of a central bank for Canada,
which was part of the brief of your predecessor,
it seems very clearly here in general a central
bank's powers are defined in order that it may
do only the very highest class of business.

We agree they are intruding on our high class
too. Also, that they invest only in the most
liquid types of securities so that it is always
in a strong position to come to the aid of
the commercial banks in time of need. It would be
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bank had invested largely in assets similar
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THE CHAIRMAN: It has been pointed out
to me that we have no power to take any action
at this time in time to prevent them from building
this building in 1905. Nevertheless, I think
there probably will be a number of questions.

MR. DEMOULIN: Could I deal with that

point you just raised, Mr. Chairman?

MR. CHAIRMAN: I am just suggesting --

and I don't know whether you have had any
correspondence -- you have had some correspondence

1 correspondence not only with the governor,
2 but with all the directors of the bank, and
3 no doubt they will be taking the matter into
4 consideration, and perhaps we will reconsider
5 this matter along with a number of other things.

6 It is interesting to notice that earlier
7 this week the present governor filed his first
8 annual report, and I notice there are a number
9 of items there that he has dealt with in an
10 entirely different manner from his predecessor,
11 and possibly this is another decision made in
12 the previous regime that may well be reviewed
13 now. We are going to suggest that possibly
14 that question would be asked by the Commissioners --
15 "What do you want us to do?" -- you are asking
16 that of my clients. We suggest respectfully
17 there is a precedent for a royal commission
18 coming to interim conclusions during the course
19 of their deliberations without waiting for
20 the eventual report, which I can well understand,
21 if it is going to be as large as the other --
22 and probably larger -- due to the magnitude of
23 the subject, will take a long time to be
24 created; that there is a precedent in that
25 the Royal Commission on Transportation came to
26 some interim conclusions and recommended to
27 the government that they subsidize the railways
28 before they came up with their final report.
29 I think my clients would be very happy if this
30 commission could see fit to make some recommendations
to the Bank of Canada without prejudice to their
final report, that the Bank might well confine
itself to its proper activities.

COMMISSIONER BROWN: It has been suggested



...not only with the Government,
...the directors of the bank, and
...no doubt they will be asking the question...

...with a number of other things.
It is interesting to notice that...

...this was the first Governor since the first
...annual report, and I noticed there was a number
...of items that had been dealt with...

...entirely different from his predecessors,
...and possibly this is another decision made in
...the previous report that will be reviewed...

...now, we are going to suggest that possibly
...that question will be asked by the Commission --
..."What do you think of this?" -- you are asking...

...that of my children, we suggest respectfully
...there is a question for a legal commission...

...of their deliberations without waiting for
...the eventual report, which I can well understand,
...it is in the line of the owner --

...and possibly I am -- as to the magnitude of
...the subject, it is a long time to be...

...created; that is, it is a precedent in law
...the local (local) on the transportation side to
...some extent, and it is recommended to...

...the Government for the time being and the railways
...before they come up with their final report.

I think my concern would be very happy in this
...commission could be to make some recommendations
...to the Board of Directors, without prejudice to their...

...that is, that the Board might well confine
...themselves to the proper activities.



1 that you have no objection to the Bank building
2 a building when it is for their own purpose,
3 and presumably that of the Industrial Development
4 Bank. Do you suggest they should only build
5 for their present use, or should they also build
6 for some future expansion, and, if so, to what
7 degree should they be permitted to provide for
8 future expansion?

9 MR. GREEN: If I may answer that, Mr.
10 Brown: I don't think there is any formula for
11 this that we could give you, but we do think
12 that a prudent businessman would not be building
13 space to take care of some ten times the present
14 number of employees that they have now. When
15 we suggested in our studies that they occupied
16 20,000 feet now, which would be twice what they
17 are occupying now, if they were to build another
18 20,000 feet they would be stretching it, but this
19 appears to us to be much more reasonable than
20 what they have actually planned at this time.

21 COMMISSIONER BROWN: This was the point
22 I wanted to make clear -- your protest apparently
23 on a black and white basis, that they should
24 build for themselves and not to rent; but I
25 gather it is a protest of objection in degree.

26 MR. GREEN: I would say that to the
27 point we don't think they should actually build
28 any additional space and rent it in competition
29 with free enterprise. This is the black and
30 white side of it. But, as prudent businessmen
who have had a good number of years of experience
dealing with tenants and expansion problems
of tenants, I think we could concede there should
be no objection to a reasonable degree of future

you have no objection to the bank building
a building which is for their own purposes,
and presumably out of the Industrial Development
Bank. Do you suggest they should only build
for their present use, or should they also build
for some future expansion, and, if so, to what
degree should such be permitted to provide for
future expansion?

MR. GIBBS: If I may answer that, Mr.
Brown: I don't think there is any formula for
this that we could give you, but we do think
that a prudent businessman would not be building
apart to build some of some time the present
number of employees that they have now. When
we suggested to our studies that they occupied
20,000 feet now, which would be twice what they
are occupying now, if they were to build another
20,000 feet they would be stretching it, but with
apart to us to be much more reasonable than
what they have actually planned at this time.

COMMISSIONER BROWN: This was the point
I wanted to make clear -- your protest apparently
on a black and white basis, that they should
build for expansion and not to rent; and I
gather it is a protest of objection to degree.

MR. GIBBS: I would say that to the
point we have been trying to make actually during
any additional space and time is in comparison
with the situation. This is the black and
white side of it, and, as prudent businessmen
who have had a good number of years of experience
dealing with expansion and expansion problems
of business, I think we could consider that they
be no objection to the bank building



1 expansion space. Also, at the same time
2 I would like to mention this, that in this marvelous
3 day and age there have been many examples of
4 buildings built to expand into -- structurally.
5 For example, we can show you a building right
6 here which I may refer to, and it is the
7 URIS office building on Broad Street in New
8 York City, and this is a building which eventually
9 will be 39 stories high, and in its original
10 conception had approximately six stories, and
11 they have expanded it by using new building
12 techniques, and so on. We think there is
13 good planning in taking care of their needs
14 should their needs prove excessive, which we
15 doubt.

14 COMMISSIONER LEMAN: The general area
15 where the Bank of Canada should be, if it were
16 to come to the city of Vancouver as owner of
17 its own building -- could it lend itself to
18 treatment as a small building?

19 MR. GREEN: No sir, we don't believe
20 it does, and perhaps we might review to some
21 extent what the Bank of Canada has actually
22 done in this city. Firstly, they purchased a
23 lot at the corner of Dunsmuir and Howe Streets
24 consisting of four 25-foot lots by a 125 feet
25 depth, which we have understood they were going
26 to build a three or four story bank building on
27 for their own use. They paid \$260,000 for this
28 property, which was a fair market value for the
29 property at the time. I believe it was approximately
30 two years later they apparently decided this was
not meeting with their requirements, so they
moved two blocks north over to the corner of



...to the fact that in this connection
 day and night there have been many cases of
 buildings built to stand time -- especially
 for example, we can show you a building at the
 front which I may refer to, and it is the
 this office building on Broad Street in
 New York City, and this is a building which originally
 will be 30 stories high, and in its original
 construction had approximately six stories, and
 they have expanded it by adding new building
 techniques and so on. We think there is
 good reason for taking care of their needs
 should their needs prove excessive, which is
 correct.

...THE BANK OF CANADA should be at its
 to come to the city of Vancouver as early as
 its own building -- could it find room to
 present to a small building?

...THE BANK OF CANADA has been
 to the fact that the right to build is some
 extent and the Bank of Canada has a building
 done in this city. Firstly, they purchased
 for at the corner of Granville and Howe Streets
 consisting of four 25-foot lots of 1 1/2 feet

to build a new or four-story building on
 for their own use. They paid \$25,000 for this
 property, which was a fair price for the
 property at the time. I believe it was approximately

not meeting with their rapid growth, so they
 were in a position where they had to



1 Hornby and Howe, right opposite the Vancouver
2 Club, if that may serve as a landmark for you,
3 and paid \$465,000 for four lots of 26 feet by
4 120. So, they expanded their land requirements
5 by four feet by 120, and they then, of course,
6 were faced with supporting a large capital
7 investment of \$465,000 plus the cost of
8 demolishing a three-story parking facility --
9 much needed, and built in 1955. So, in order
10 to attempt to justify economically this large
11 capital expenditure for land, of course, they
12 were going to have to build a substantial building
13 there. I don't think there is any doubt of that.
14 If they were interested in the economics of this,
15 this is what they would have to do; or, of course,
16 sell the property and buy a proper site for
17 their bank, and not necessarily in the location
18 that they selected. There are many other locations
19 which would have been available to them, we
20 suggest, much closer to the seven chartered
21 banks -- where the head offices of those banks
22 are. I don't know if that answers your question
23 or not.

21 COMMISSIONER MACKINTOSH: Assuming
22 that the Bank of Canada knows what space it
23 wants, had it approached a group or realty
24 company and said, "We want a building in a
25 certain area. We want building space and we
26 require certain vault space and so many square
27 feet for ourselves and the Industrial Development
28 Bank, and we are prepared to pay a rental on a
29 long-term lease at so much a square foot, will
30 you go and build and finance a building on that
basis, assuming we wanted it in a certain area",



1 and a realty group were willing to build this
2 building, would you still object if there were
3 rental space in the building, because of the
4 value of the site, in addition to that which
5 the Bank and the Industrial Development Bank
6 used? Would you still object to that?

7 MR. GREEN: As a matter of fact, sir,
8 that is essentially the business that I am in,
9 and I am sure that I would be more than delighted
10 to be faced with such a problem. I am speaking
11 personally at the moment. Perhaps Mr. Creery
12 may have some comments to make on that.

13 MR. CREERY: It would have made a good
14 substitute for the tenant that ran out on me.
15 However, I am not crying sour grapes or anything
16 like that. The point is that you would have
17 private enterprise finding the building and
18 finding the capital and developing it, and so
19 on, and you have to do that on a financial market
20 the health of which is very largely controlled
21 to a great extent by the Bank of Canada across
22 Canada. If we want private enterprise to do things,
23 I think we all agree that 10 or 12 people working
24 around can do a lot more in various little ways,
25 and big ways too, than one institution, and
26 we are getting some severe shocks in British
27 Columbia -- some very severe shocks, as no doubt
28 you will probably realize when we begin to see
29 that practically every form of enterprise is
30 falling under the gavel of government. I don't
know what there is we can do about it, but we
can at least present our views, and one place we
can do it is here, and we appreciate your listening,
and I think it is an important thing that somewhere

is willing to build this

building, would you still object to that?

rental space in the building, because of the

value of the site, in addition to that which

the Bank and the Industrial Development Bank

would you still object to that?

Mr. GIBSON: As a matter of fact,

that is essentially the business that I am in,

and I am sure that I would be more than satisfied

to be faced with such a proposal. I am speaking

personally at the moment. Perhaps Mr. GIBSON

may have some comments to make on that.

Mr. GIBSON: It would have been a good

substitute for the other that was put on me.

However, I am not going to say anything or anything

like that. The point is that you would have

private enterprise, that is, the building and

financing it, and developed it, and so

on, and you have to do that on a financial basis

the kind of which is very largely controlled

to a great extent by the Bank of Canada's actions

Canada. It is not a matter of interest to the public,

I think it is a question that is of people working

around and so a lot more is involved than that,

and that says that, then the building, and

it is a very important thing in building

Canada is a very very serious question, and no doubt

you will probably find that when you begin to see

that private building, that is, enterprises is

building and a great deal of money is being

known that there is we can do good, but we

can do more around our vision, and our vision

is that, and we should be very interested

in thinking it is an important thing



1 along the line this stepping in of one government
2 agency and another into the field of every
3 kind of commerce -- it should be curtailed if
4 we are going to maintain our Canadian way of life.

5 MR. DuMOULIN: Could I, with respect,
6 refer the Commission to the appendix of the
7 MacMillan Commission Report where the suggestions
8 as to some of the main features of the constitution
9 of a central bank for Canada are to be found.
10 There are two columns as you will probably recall:
11 One dealing with the constitution and the other
12 notes and comments, and I think number one is
13 quite interesting in itself. It says:

14 "The Bank should have a
15 head office and should be allowed to
16 establish branches, to act as note
17 depots, etc., and to take over the
18 offices of the Assistant Receivers
19 General."

20 That is a far cry from 86,500 square feet and
21 13 stories.

22 In the comments it says:

23 "A central bank is in the
24 nature of a large public trust ..."

25 I know some of the Commissioners are
26 directors of trust companies, and I would think
27 they would think it very unusual if in exercising
28 their powers of trust they started speculating
29 in businesses such as office buildings, because
30 when the previous Commission was sitting out
here I think I am right in saying -- and Mr.
Creery will correct me if I am wrong -- that the
Marine Building, one of our largest office
buildings, was about 80 per cent empty and stayed



1 that way for a good number of years, and this
2 building in which we are sitting now stood
3 for about 10 years empty during the depths of
4 the depression. No doubt the Royal Commission
5 sitting at that time had very much in mind,
6 as they say, that the central bank is in the
7 nature of a large public trust and should not
8 be speculating with the monies it makes out
9 of its dealings on behalf of the public.

9 THE CHAIRMAN: Well, the question is,
10 is that what they are doing? Mr. Rasminsky
11 says in his letter that initially the Bank of
12 Canada and the Industrial Development Bank, which
13 is an additional institution tied in with the
14 Bank of Canada, will themselves use 38,500
15 square feet of space, and 48,000 will be available
16 for rental to third parties, and finally he says
17 that as the requirements of the Bank of Canada
18 and the Industrial Development Bank grow the
19 amount of space available for rental to third
20 parties will, of course, diminish. It has been
21 suggested here today that the provision for
22 38,500 square feet is merely too great for their
23 proper requirements because it would involve a
24 great number of employees -- about ten times as
25 many as they have now. Well, I don't know what
26 their plan may be at the moment. I don't know
27 whether any of you gentlemen do, as to what they
28 are going to use those employees for. They
29 may be perfectly justified in employing that
30 many people, and assuming they are, then they
cannot be criticized for supplying the 38,500
square feet. And if they have to provide that
much I would think they would be justified in



1 adding something to that for expansion. Then
2 where do you draw the line?

3 MR. DuMOULIN: Mr. Chairman, according
4 to Mr. Green's figures 38,000 feet would be four
5 times as much as they need so in addition to
6 that they are going to have about twelve times
7 as much again. It looks like a good example,
8 it is fantastic, of Parkinson's law although
9 I am not very familiar with that law.

10 As I said at the beginning we are not
11 trying to be negative but to be positive and it
12 does seem to us that parliament and your predecessors
13 had very much in mind that this small, compact,
14 very high calibre group of highly trained people
15 would be just like the horse we knew in the days
16 of our youth, they would have blinkers on and
17 would look straight at the target which is in the
18 Act, a specialty business, not to get into private
19 enterprise but to look after 100 per cent of the
20 time the economy of Canada and not be diverted by
21 every cross current and cross flow of business
22 matters and so on with which they should not be
23 concerned at all.

24 I presume, in line with Dr. Mackintosh's
25 suggestion, that the person who owned that building
26 would look after the renting of it and would not
27 expect the assistant deputy governor or some
28 other person to bother with how much rent he would
29 get or if there should be a janitor fired. It
30 is supposed to be looking after the bank notes
of Canada and matters of which you gentlemen
are much better acquainted than I am or any of us,
those tremendously important national or inter-
national matters, not mundane things like running



1 a building and renting to other people in
2 competition with free enterprise.

3 MR. GREEN: Sir, may I add a comment?
4 We attempted to obtain the figures on the number
5 of people employed by the Bank of Canada and its
6 Industrial Development Bank and to date we have
7 been unable to obtain them. We wanted to have
8 some additional basis which we think would support
9 our estimates of what they are actually doing
10 right now and what might be foreseeable but
11 this information unfortunately has not been made
12 available to us as yet.

13 MR. HARRIS: I might also point out,
14 Mr. Chairman, that the Bank of Canada, as we under-
15 stand it, is a bankers' bank and they deal here
16 with the other banks which are becoming fewer
17 in numbers so we cannot see the expansion of the
18 Bank of Canada in this area. There may be a certain
19 allowance for contingencies but we cannot see the
20 Bank of Canada ever being large out in this portion
21 of the country.

22 COMMISSIONER BROWN: I think I should
23 correct an impression there because the Bank of
24 Canada also deals with all the investment dealers
25 who have head offices in Vancouver and also have
26 branches in Vancouver and the Bank of Canada
27 carries out many functions in addition to merely
28 supplying bank loans to the chartered banks.
29 They issue bonds, exchange bonds and transfer
30 bonds from one part of the country to another.
I am assuming it is not part of your suggestion
that they should reverse this and go back to
merely issuing bank notes?

COMMISSIONER GIBSON: As an accommodation

ing to about 1941. In

the meantime,

MR. CHAIRMAN: Now, may I go to the committee?

It is attempted to obtain the rights on the part of people employed by the Bank of America and the Industrial Development Bank and so on, we have been unable to obtain them. I wanted to have some information about this which we shall have to our satisfaction of that they are probably doing right now and that might be something but this was another matter. I have not been able to get it.

MR. HARRIS: I think also, that

Mr. Chairman, that the Bank of America, as a matter of fact, is a business bank and that it has with the other banks which are doing business in America and cannot see the reason on all the part of the Bank in this case. There was a certain amount for contingencies but we cannot see the part of the Bank which is being left out in the way of an account.

COMMISSIONER BROWN: I think I should

comment on the statement that the Bank of America also has a job in the Industrial Bank who have been active in the Bank of America and the Bank of America in the Bank of America. I am not sure if it has been of any help.



1 to the bond dealers which I gather is a relatively
2 new practice of the Bank of Canada they are
3 carrying sufficient inventories in their vaults
4 that transfers can be made of bonds without the
5 expense of moving bonds.

6 COMMISSIONER LEMAN: May I ask --

7 Mr. Creery referred to the fact that the government
8 is taking more of a hand in matters in general
9 in the economy. Could you state what has been
10 the case of the Federal Government's policy
11 regarding this building? Does the Federal
12 Government abstain from ever renting facilities
13 in other buildings such as post offices?

14 MR. CREERY: That is correct, there is
15 no space for rent in the post offices. Years ago
16 the government purchased the old Wedge Building
17 on Hastings Street and converted it into a
18 federal building or added it to their federal
19 buildings and they evicted every tenant and
20 the building has always been occupied since then
21 by some government office or other. I don't know
22 of any federally owned real estate in the city
23 of Vancouver that has ever been rented to anybody.

24 MR. GREEN: Two further examples of that
25 would be the Custom Building, a new one which was
26 built here a few years ago and perhaps for obvious
27 reasons, the Income Tax Building which I do not
28 think anybody would want to get into if they
29 could anyway. But I think it is the policy of
30 most departments of the government to refrain
from getting into the business of renting real
estate. On the other hand, they will lease
space in a commercial building if they do not
have their own accommodation.

trying to make investments in their venture

the financial can be made of bonds without any

expense of moving money

GOVERNMENTAL INTEREST: May I ask --

Mr. Gregory referred to the fact that the Government

is holding money in bonds in addition to what it

in the money. Could you be certain that the

the case of the Federal Government's policy

Government would in fact over-riding it called a

in other buildings such as post offices?

There is certainly, there is

no space for them in the post offices. Yes, it

the Government purchased the old building

on the thing that and converted it into:

modern building or added it to their Federal

buildings and they used it very wisely and

the building that is being used is not what

is now government office or other. I don't know

of any Federal building which is in the city

of Vancouver. I don't know where it is or anybody

the building. The building is of steel

work of the Federal building, a new one which was

built in the city and is being used for various

reasons. The building is being used for not

think anybody would want to go into it they

could say. But I think it is the policy of

most departments of the government to refrain

from getting into the business of raising real



1 THE CHAIRMAN: Oh yes, I understand
2 your point and there may be something in it. There
3 seems to be quite a large number of square feet.

4 COMMISSIONER MACKINTOSH: I gather you
5 would have no objection if the Bank of Canada
6 leased its surplus space to other government
7 departments?

8 MR. GREEN: No, I do not think I would
9 because I think this building would be truly
10 a federal building and would be amenable to
11 that policy but we have no evidence to show
12 this is what what they would do and in addition
13 to this, sir, going back to the charter again
14 which is where we get back to every time we
15 do not think they are empowered to do this under
16 their charter.

17 THE CHAIRMAN: Well, that is a question.
18 There are also legal opinions, I understand,
19 the other way.

20 MR. GREEN: Well, the courts would
21 probably decide that, I would think.

22 THE CHAIRMAN: In due time. You have
23 not considered testing this in the courts, I suppose?

24 Well, I think this really comes down
25 to a matter of policy and what policy is right
26 and desirable under the circumstances.
27 Irrespective of the legality or otherwise if
28 it is illegal or should be permitted then the act
29 should be amended to make it legal or vice versa.

30 COMMISSIONER GIBSON: I would think,
Mr. Chairman, we could assume the Bank of
Canada is not undertaking this kind of operation
as a speculation or as a way of making earnings
rather than by buying and selling treasury bills



1 except with reference to the one aspect and
2 that is to say putting an economic building
3 on the site which they have chosen. They are not
4 into the office space business as such rather
5 than buying securities. Whether their building
6 is too big for their purposes or too big for
7 the site I have no judgment at all but I am sure
8 you can eliminate the idea that they are trying
9 to enhance their earnings by going into the real
estate business.

10 MR. CREERY: It would appear, sir, that
11 the opposite may almost be the case.

12 THE CHAIRMAN: Well, I understand it was
13 suggested that it got into some other real estate
14 deal and to get out of it it cost them so much
15 that they had to rent a lot of space to make up
for it.

16 MR. CREERY: This might be a bit of an
17 aside but there has been a total of \$1 million
18 in the three transactions which might be beside
19 the point but they purchased a site for \$260,000
20 which I think everybody who knows the city will
21 agree that for the purpose was just as good a
22 site as they have got now, and in fact a little
23 better because it is a block closer to the seven
24 chartered banks who are all on the other side
25 of Granville Street. Then they buy where they
26 are located now for \$465,000 which includes
27 a \$260,000 building which is less than five years
28 of age and serving a very useful purpose, it is
29 a ramp parking garage and they buy that and knock
30 it down so at that point there are two deals,
\$260,000 and \$465,000 which is about \$525,000
and then they sell the first location for



1 \$310,000 which puts the number of transactions
2 up to over \$1 million and reduces their investment
3 from \$465,000 by about \$50,000. So that they
4 have got \$415,000 in their site which we suggest
5 they did not need to have at all actually.

6 I do not think there is any real thinking
7 or planning back of the thing. It still looks
8 peculiar. I do not understand why they would
9 do such a thing. I do not think you could find
10 anybody in private enterprise who would do such
11 shenanigans and it seems funny real estate deals,
12 I can tell you that. If they are going on to
13 rent the building in the same way and to manage
14 it I don't know how they will do it.

15 COMMISSIONER HARROLD: Mr. Chairman,
16 Mr. Green, in answer to a previous question, said
17 he would be quite happy to build a building of
18 this description if the Bank of Canada wanted
19 to be the tenant. My question is, as a building
20 owner, do you feel that the office space in
21 Vancouver is adequately taken care of at the present
22 time, or does it need more office space? It is
23 a question of whether you build it or the Bank
24 of Canada build it, or is there a need for
25 more space at the present time?

26 MR. GREEN: We have a vacancy of immediate
27 office space in the city of around 12½ per cent.
28 This takes into account some of the older buildings
29 which are also classed as major buildings, buildings
30 with 30,000 square feet of space in them.

COMMISSIONER MACKINTOSH: What is a normal
vacancy -- 10 per cent?

MR. GREEN: I think it depends on "normal",
sir. In the last fifteen years we have been

10,000 which was the number of women
up to over 4 million and because their interest
from \$12,000 by about \$50,000. So that they
have got \$41,000 in their life which we are not
any did not need to have at all actually
I do not think there is any real thinking

or planning back of this. It still looks
peculiar. I do not understand why they would
do such a thing. I do not think you could find
anybody in private sector who would do such
absentmindedness and is really funny real estate deals.
I can tell you that. If they are going on to
rent the building in the same way and so much
as I don't know how they will do it.

Mr. Graham is always to a private ownership and
he would be quite happy to build a building or
his description in the Bank of Commerce and
to be the bank. It doesn't matter as a building
anyway. You feel that was other things in
Vancouver is absolutely taken care of at the present
time, so does he and more things more? Is it
a question of whether you build it or not Bank
or other building, or is there a need for
more space in the present time?

Mr. Graham: We have a variety of things in
other space in the city of about 15% per cent.
This takes into account some of the other buildings
which are also classed as major buildings, buildings
with 50,000 square feet or more in them.
GOVERNMENT INVESTMENT: When is a hospital
usually -- in the city?
The answer: I think it depends on "normal".



1 running at a much better rate than the present
2 rate. In the last two years our vacancy has,
3 for example, more than doubled in our own
4 members' buildings, in fact it has tripled in
5 the past two years.

6 I think if I might go back to your
7 question again that private enterprise would
8 find a way of providing space for good tenants,
9 for special tenants such as you are suggesting,
10 with their vaults providing the thing made
11 economic sense which brings us back again to the
12 one fact that we do not like and that is we do
13 not like the government getting into our business.
14 Really our whole presentation is on that point.
15 We think they are getting out of their own field
16 and into ours. If I may suggest a conclusion
17 to be drawn from Mr. Creery's comments about the
18 land acquisition programme that they went into,
19 if that is any indication of the way they handle
20 real estate transactions then it is all the more
21 reason why this should be free enterprise and
22 not government. They are not specialists in it.

23 COMMISSIONER MACKINTOSH: They made a
24 profit.

25 MR. GREEN: How much have they made out
26 of the deal, though? Well, it may be a never,
27 never plan for reduction but aside from that they
28 should not be in this business, in our opinion.
29 We think it is against all the principles for
30 which the charter was designed and we would like
to go on record with you.

We know too that this may sound like
a pretty small thing relative to the total problem
that you gentlemen are considering.



1 COMMISSIONER MacKEEN: Have you any idea
2 what they are charging per square foot for rentals?
3 Are they looking for tenants yet?

4 MR. GREEN: We don't know of any, sir.
5 The plans, you see, have only just come out.
6 There has been a great deal of secrecy, I might
7 add, about this and it was not until last month
8 actually that we were able to find out what it
9 was they contemplated. In fact the plans only
10 Friday were sent to the building department of
the city for approval.

11 COMMISSIONER MacKEEN: What rental would
12 private enterprise have to obtain in a building
13 of that type in Vancouver?

14 MR. GREEN: Well, if this was to be
15 a fully air conditioned, modern office building
16 in the city of Vancouver I would think around
17 \$5.25 to \$5.50 would be the current market per
square foot per year.

18 MR. CREERY: I might say, as Mr. Green
19 stated, there is nothing official on this and
20 this has been one reason why we have been so
21 far behind because there has been nothing
22 definite about it and so we could do nothing
until recently.

23 But we are told their rentals are running
24 from \$5 to \$6 per square foot and they are arguing
25 that that justifies things because they are not
26 going to be competing with very many buildings
27 here. It is only the more modern buildings
28 that get that rate and we only have a few such.
29 But you know it can shine one day and rain the
30 next and people can change their minds. You cannot
tell. There may come a day when the Bank of Canada



1 people running the building if they cannot get
2 it rented at \$6 they will cut to \$5 when we
3 cut it to \$4. I don't know but in any event
4 they are right there, they are competition and
5 they are pretty tough competition.

6 MR. GREEN: Their building in Toronto
7 which we know of was built four or five years
8 ago up on University Avenue, I think 150,000
9 feet of space there and they occupy 50,000
10 and rent the other 100,000 to tenants. So they
11 are in the real estate business in Toronto at
12 this moment and in Montreal.

13 I would say that the timing of the
14 Toronto venture perhaps was very opportune in that
15 at that particular time there was a great demand
16 for office space. I wonder though if today in
17 Montreal and Toronto the Bank of Canada contemplated
18 their 150,00 square foot building, office building,
19 when I think in Toronto there is 2½ million square
20 feet of space going onto the market in the next
21 18 months and in Montreal an even larger figure
22 if we read correctly in our papers here -- I just
23 wonder what the owners there would think of this.

24 I am suggesting, in other words, that the Bank
25 did what they did at a very propitious time
26 and at a time when there could have been some
27 rumblings but nothing too much about it. Our
28 situation here is the reverse. We know our problems.
29 That is why it was important for us to try to get
30 in and do something about this.

MR. DuMOULIN: Surely what Mr. Green
has said, sir, is an indication of speculation.
If that is not a speculative business I don't
know what is.



1 THE CHAIRMAN: Any further questions?

2 Thank you very much, gentlemen, for
3 your submission. We will consider this.

4 We shall now adjourn until 9.15
5 in the morning.

6 ---Adjournment.

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Royal Commission on Banking and Finance

Hearings
held at
Vancouver

Vol.

2A

Date.

March 13, 1962



Official Reporters
F. J. Nethercut and R. J. Young
Toronto, Ont.

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SUMMARY

TO THE ROYAL COMMISSION ON BANKING AND FINANCE SUBMITTED
ON BEHALF OF MEMBERS OF VANCOUVER STOCK EXCHANGE BY
J. A. VAN LUVEN, EXECUTIVE VICE PRESIDENT TO THE CHAIRMAN
AND MEMBERS OF THE COMMISSION.

May I summarize briefly the contents of our submission
to the Royal Commission on Banking and Finance.

The Vancouver Stock Exchange chartered under the laws of
the Province of British Columbia and founded in 1907 and having a unique
record in the day to day business of Western Canada over the space of more
than half a century respectively places before the Royal Commission the
following points for its consideration.

1. It has been an important function of the Vancouver Stock Exchange to
provide a trading place for the shares of development companies, not
only in British Columbia but in many instances for the rest of Canada.
2. The Exchange has on its own initiative acted more or less consistently
and continuously through the years in an effectual programme of
policing its own situation while maintaining a facility for the free
trading of properly issued shares of listed companies.
3. The members of the Vancouver Stock Exchange are interested in
improving and regularizing that portion of the Canadian system of
responsible free enterprise and offer citizens the opportunity to
share in ownership of business and industry.
4. We submit that the volume of trading in Vancouver could be increased
substantially if more financial institutions in the West were consciously
to direct more of their buying and selling transactions through
Vancouver. In this respect we suggest that national companies would
be doing their shareholders in British Columbia a service in providing
trading facilities and transfer facilities in the City of Vancouver. We
do not suggest that such a policy should be enforced by compulsions or
regulations but merely that it be recognized as good practice within
the financial institutions concerned.



- 1
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- 4 5. We suggest that under Succession Duty Laws as applying in Ontario
- 5 and Quebec, an inequity exists in the case of British Columbia
- 6 holdings of such shares where estate death duties are concerned.
- 7 There being no succession duty in British Columbia the British
- 8 Columbia shareholder however may still become liable for such
- 9 taxes merely by reason of the fact that the companies whose shares
- 10 he holds are Quebec or Ontario incorporations.
- 11 6. We suggest that an increasing degree of uniformity of Securities
- 12 Acts be developed in Canada. This point is suggested rather than
- 13 recommending a national securities act because in a province located
- 14 so far from the national capital local knowledge and contacts are
- 15 most necessary for the fair and orderly development of British
- 16 Columbia.
- 17 7. It is suggested that arbitrage between exchanges is a desirable
- 18 device and tends to narrow regional spreads in buying and selling.
- 19 This tightening up on the spread between markets ensures the buyer
- 20 and seller of a more just and reasonable price.
- 21 8. We conclude that it is our contention that in trying to protect
- 22 Canadians from unscrupulous promoters it would be tragic if the
- 23 hands of legitimate builders were tied in the process and that while
- 24 the exchanges should exercise stringent safeguards the whole
- 25 economy of the country would suffer if too restrictive legislation was
- 26 inacted against the legitimate builders of Canada.
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Nethercut & Young

Toronto, Ontario

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TO THE ROYAL COMMISSION ON BANKING AND FINANCE

Submitted in behalf of Members of the Vancouver Stock Exchange by
John A. Van Luven , Executive Vice-President.

To the Chairman and Members of the Commission:

It is a privilege for the Vancouver Stock Exchange to be able to present, today, a Brief to this Commission under the convenient circumstances of doing so in Vancouver. By visiting Vancouver, of course, the Members of the Commission will gain the additional advantage of renewing personal contact with a city which is the recognized economic centre, as it is the transportation seaport, for a wide segment of the westerly part of Canada. The visual evidence of the city's growth, so representative of an advancing economic maturity in all of Western Canada, will provide you with a helpful background against which any representations made to you may be examined.

Introductory

1. The Vancouver Stock Exchange is chartered under the Laws of the Province of British Columbia. Founded in 1907, it has the rather unique record of never having closed its doors for business, for any cause, on any day when it would normally operate. Most other exchanges, under the exigencies of war and business conditions, have found it necessary, at some time, to enforce a general suspension of activity. Since the very essence of an exchange's function and duty is to provide an ever-present facility for the buying and selling of shares, thus ensuring maximum liquidity of the investor's shareholders, continuity of sessions is important. Vancouver's record in this respect is a matter of considerable satisfaction to the Members of the city's exchange.

2. In a region still engaged in industrial pioneering, as Western Canada must be for this and other generations to come, and where along with the visible resource of land, timber and water power there are many hidden resources of oil, natural gas and minerals, industrial risk-taking is basis to growth.

3. Inevitably, it has been an important function of the Vancouver Stock Exchange to provide a trading place for the shares of development companies. Moreover, it has been necessary that a standard of practice



1
2 in trading would apply to protect the unwary from hazards over and
3 above those inherent in the rather adventurous undertakings which
4 many of the traded shares have represented.

5 4. Much has been learned by experience. The Exchange has not
6 had to be prodded into reforms but has acted more or less consistently
7 and continuously through the years in the undoubtedly effectual programme
8 of policing its own situation while maintaining the greatest possible
9 freedom of facility for the proper play of the law of supply and demand
10 to reflect itself in prices.

11 5. Our Exchange Members are zealously interested in
12 improving and regularizing that portion of the Canadian system of
13 responsible free enterprise that offers citizens the opportunity to share
14 in ownership of business and industry and in so doing creates a need
15 for a dependably administered market place for the tokens of ownership--
16 the securities of public corporations.

17 Character of Trading

18 6. As was to be expected, the Vancouver Stock Exchange for
19 many years was predominantly a trading place for shares of mining and
20 oil companies operating in British Columbia and Alberta. Industrial
21 issues for a long time represented an almost negligible part of total
22 volume of transactions.

23 7. It is still true that the mining and oil sections of the
24 Vancouver Stock Exchange's board on which securities are listed for
25 trading, are responsible for a large part of any typical month's trading.
26 But just as Vancouver has grown as a centre of general commercial,
27 financial and business activity in holding its long-established place as
28 the third city in a country where all major cities have experienced
29 remarkable growth in the past 20 years, so the Exchange has risen as
30 a more diversified trading place with steadily increasing emphasis on
industrial securities.

8. In the appendix to this Brief, and submitted as Exhibit A,
is a current list of members of the Vancouver Stock Exchange. It will



1
2 be noted that an interesting proportion of these are firms doing
3 business from coast to coast in Canada. More such firms would be
4 welcomed as members. The current price of seats on the Exchange
5 at approximately \$11,000, as indicated by the most recent transaction,
6 should be no obstacle to major brokerage and investment houses of
7 Canada who do not presently have seats on the Exchange widening their
8 service to clients by following the example of other Eastern Canadian
9 firms that have become members here.

9. The three-hour time differential between Vancouver and
the Toronto-Montreal markets lengthens the practical share trading
time in Canada. Vancouver stock brokerage firms begin their
business days to coincide with the operating times of the Eastern
markets. It is logical to assume that many occasions will arise when
it will be beneficial in client service for transactions to be executed
in Vancouver after close of the Toronto and Montreal exchanges.

10. Also submitted in the Appendix, and identified as Exhibit B,
is a tabulation of comparative trading volumes of the Vancouver Stock
Exchange for the past 12 years. It will be observed that in this period
the relative importance of industrial share transactions, in terms of
values, has risen so that since 1958 the industrial share trading has
been larger than all other categories combined. The significance of
this change is, perhaps, not widely enough realized in Canadian business.

11. In the Appendix and identified as Exhibit C is a record sheet
of quotations and transaction for 1961 in which are included the names
of all companies whose shares are listed for trading in the Industrial
Section of the Vancouver Stock Exchange. This is an impressive list
by comparison with five or ten years ago. It is equally notable
however for the conspicuous omissions it represents. We recognize
that we have much work to do in adding to the list many Canadian
companies whose shares should be traded in Vancouver.

12. We believe it would be in the interest of the companies,
their shareholders and of Canadian finance and business in general if



1
2 many more of our important Canadian companies, with shares widely
3 distributed in Canada, were to pay their shareholders in Western Canada
4 the compliment of facilitating trading in those shares in the general
5 region where the shareholders reside.

6 Retaining Western Business in the West

7 13. As the capability of the Vancouver Stock Exchange to serve
8 Western Canada in buying and selling many shares of national companies
9 becomes increasingly recognized, the tendency to use the exchange for
10 such purposes almost automatically grows. However, such volume could
11 be increased substantially if more financial institutions in the West were
12 consciously to direct more of these transactions to Vancouver.

13 14. It is frequently the case that a branch of a chartered bank
14 in a small B. C. community such as Duncan or Grand Forks, might
15 receive instructions from a customer to buy or sell shares of such a
16 company as International Nickel, Massey Ferguson or a British Columbia
17 Company such as MacMillan, Bloedel & Powell River Limited. Customary
18 procedure will be for the branch manager to assume that Eastern Canada
19 is the place for this transaction to be made and the order is transmitted
20 there to be filled. Where there is listing in Vancouver, the order could
21 be just as satisfactorily handled, from the client's point of view, in
22 Vancouver, if not more so due to the factor of proximity.

23 15. In this respect, of course, it would help if national
24 institutions such as banks and trust companies, deriving large revenues
25 from their operations in the West, were to recognize that, as a matter
26 of equity and logic, and in order to assist in the development of the
27 West in which they will share the benefits, share transactions should
28 be specifically directed to be made in the West wherever this can be
29 done consistently with serving their clients' best interest. Using an
30 established channel of business merely because it has been long established
and without recognition of the natural ambitions of new areas to develop
their economies in depth and maturity is evidence of a lack of progressive
policy or of appreciation of the value of community-building.



1

2 Fortunately, undue conservativeness in this area shows signs of yielding to
3 knowledge that Vancouver is today equipped to handle the buying and
4 selling of industrial shares.

5 16. We make no suggestion, of course, that such a policy should
6 be enforced by any kind of compulsions or regulations, but merely that
7 it be recognized as good practice within the financial institutions
8 concerned.

9 17. Under succession duty laws as applying in Ontario and Quebec,
10 an inequity exists in the case of British Columbia holdings of such shares
11 where estate death duties are concerned. There is no succession duty
12 in British Columbia, but a British Columbia shareholder whose estate
13 may become subject to probate and settlement will be liable for
14 succession duties in Ontario and Quebec merely by reason of the fact that
15 the companies whose shares he holds are Quebec or Ontario incorporations.
16 The incidence of share ownership and company registration obviously
17 should not be the basis for making a non-resident subject to death duties
18 in some other province or provinces.

19 18. It is noteworthy, in this respect, that a mutual fund recently
20 named Charlottetown, Prince Edward Island, as its head office to escape
21 the anomaly of this kind of succession duty situation. The device should
22 not be necessary in Canada. Surely people living outside of Ontario and
23 Quebec should not be subject to the succession duties of those provinces.
24 Uniform Securities Acts in Canada

25 19. By conferences and comparing of policies, an increasing
26 degree of uniformity of Securities Acts has developed in Canada. This
27 trend, however, could go farther and faster with advantage. It is our
28 understanding that the new Securities Act, scheduled for introduction
29 in British Columbia in the present session of the Legislature, will
30 quite closely approximate the Ontario and Quebec acts. Both in structure
31 of the laws respecting securities administration and in promulgated
32 regulations, it would be helpful if there were uniform policies in effect
33 provincially across Canada. Were that to develop, it would largely
34 dispose of the case sometimes advanced for a Federal Securities Act
35 for Canada.

30



1
2 Collaboration By Exchanges

3 20. While it is desirable that each of the major exchanges in
4 Canada should maintain its individual operation and identity, members
5 of the Vancouver Stock Exchange believe that more integration and
6 collaboration in activities can be arranged to the advantage of brokers
7 and their clients. Such an end would certainly be promoted by greater
8 uniformity of stock exchange rules voluntarily arrived at by the
9 respective exchanges for their mutual interest. Progress is being
made in this direction. We trust it will continue.

10 Arbitrage

11 21. From the debate that has occurred in Ontario and Quebec on
12 the practice of arbitrage it might be judged that this constituted an
activity against shareholder interest and that it should be discouraged.

13 22. Our view is quite the opposite. Arbitrage between exchanges
14 narrows regional spreads in buying and selling. Where unduly wide spreads
15 exist, someone is suffering a disadvantage which is avoidable by active
16 correction under the arbitrage process. While the derogatory term
17 "scalping" is commonly used to describe the process of equalizing
18 bids and asks geographically, it could equally be dignified by the term
19 "correcting" since arbitraging brings markets more realistically into
20 line with one another. This tightening up on the spread between markets
ensures the buyer and the seller of a more just price.

21 Conclusion

22 23. Finally, we would observe that, consistent with proper
23 safeguards from abuse of privilege, the financing of companies in
24 Canada and administration of trading in company shares should be
25 covered by laws that are not so cumbersome or restrictive as to
discourage legitimate enterprise.

26 24. Canada by its very nature, is a country where progress to
27 date has been largely the product of risk-taking. One can not foresee a
28 time when competent venturers in industry will not be collectively one
29 of our greatest Canadian assets. Such persons are in no way parasitical
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but rather are the builders on whom many others depend for vision and initiative and organizing ability from which come jobs, taxes, purchasing power and our high standard of living.

25. In trying to protect Canadians from unscrupulous promoters-- always a worthy endeavor--it would be tragic, of course, if the hands of the legitimate builders were tied in the process. The whole economy of Canada would suffer at a time when it is imperative that we release all the constructive energies of which we are capable.

ner are the builders on whom many others depend for vision and

ative and organizing ability from which come jobs, taxes, purchase

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a worthy endeavor--it would be tragic, of course, if the hands

of the legitimate builders were tied in the process. The whole economy of

Canada would suffer at a time when it is imperative that we release all

VANCOUVER STOCK EXCHANGEMEMBERSJanuary 24th, 1962Exhibit A

J. C. Adam	572 Howe Street	
Adam & Co. Ltd.	572 Howe Street	Spence, W.
Peter W. Bell	Victoria, B. C.	
Bongard & Company	25 Adelaide St. West	Bongard, G. R.
	Toronto, Ontario	
Brick, Hudson & Lefever Ltd.	717-737 West Hastings St.	Lefever, Harold W.
Burlough & Partners Ltd.	221-759 West Pender St.	Burlough, R. W.
Carlin & McCarthy Ltd.	542 Howe Street	McCarthy, M. D.
Continental Invest. Corp. Ltd.	215-759 West Pender Street	McGraw, J. D.
J. H. Crang & Co.	40 Adelaide St. West	Crang, J. H.
	Toronto, Ontario	
Davidson & Co. Ltd.	572 Howe Street	Stone, C. W.
Deherty, Roadhouse & Co.	519 West Hastings St.	Tapp, Geo. M.
E. K. Finkle	506-510 West Hastings St.	
Gairinger & Co. Ltd.	1030 West Georgia St.	Malkin, H. R.
John Frame & Company	994-11 Adelaide St. West	Fryer, John T.
	Toronto, Ontario	
Hager Investments Ltd.	514 Yates St., Victoria, B.C.	Hager, J. Denis
Hell Securities Ltd.	201-789 West Pender St.	Hall, F. E.
H. H. Hensworth & Co. Ltd.	572 Howe Street	Hensworth, H. H.
H. C. Kitcheson Investments Ltd.	501-529 Granville St.	Kitcheson, H. C.
W. D. Lathmer Inc.	607 St. James St. West	Lathmer, W. D.
	Montreal, Quebec	
S. H. Leonard & Co. Ltd.	649 West Hastings St.	Leonard, Sir S. H. F.
Hugh Mackay & Co. Ltd.	420 Howe Street	Patterson, Jas. S.
Thomas Mackay & Co. Ltd.	581 Hornby Street	Mackay, T. S.
D. F. MacKearin Ltd.	424 Burrard Street	MacKearin, D. F.
McDonald Miller & McDermid Ltd.	675 West Hastings St.	McDermid, Donald C.
McLeod, Young, Weir & Co. Ltd.	626 West Pender St.	Russell, Kenneth G.
Royden Morris & Co. Ltd.	564 Hornby Street	Morris, J. Royden
Odean Brown Investments Ltd.	479 Granville Street	Brown, W. T.
G. M. Oliver & Co. Ltd.	521 West Hastings St.	Chilcott, A. J.
Oster, Hammond & Norton Ltd.	211-717 West Pender St.	Dakin, Jr. W. A.
Pemberton Securities Ltd.	744 West Hastings St.	Thompson, W. E.
A. A. Pritchard Inv. Ltd.	605-837 West Hastings St.	Pritchard, A. Allan
Thomas E. Read Company Ltd.	602 West Hastings St.	Read, T. B.
James Richardson & Sons	953 West Hastings St.	Thompson, A. G.
Royal Securities Co.	544 Howe Street	Wooten, P. A.
Shubin & Co. Ltd.	1601-675 West Hastings St.	Samle, Bruce C.
Stevenson and Ryan Ltd.	744 West Hastings St.	Stevenson, G. H.
Norman R. Whitall Ltd.	424 Burrard Street	Whitall, H. R.
Wolverton & Co. Ltd.	534 Burrard Street	Wolverton, N. E.
Yorkshire Securities Ltd.	900 West Pender St.	Lamprey, J. H.

BOARD OF GOVERNORS 1962

Chairman	W. Spence	Vice-Chairman	A. J. Chilcott
Hon. Secretary	A. G. Thompson	Hon. Treasurer	E. C. Samle
H. R. Whitall, H. W. Lefever, G. M. Tapp, C. W. Stone, J. McGraw, W. T. Brown, W. E. Thomson, J. H. Lamprey			

1. 1940-1941



Nethercut & Young
Toronto, Ontario

A14

TABULATION OF COMPARATIVE TRADING VALUES

Exhibit B

MINES

OILS

BANKS

INDUSTRIALS

1950	\$ 8,641,884	\$ 24,162,199	\$ 901	\$ 4,729,821
1951	26,373,039	18,272,016	11,112	11,521,878
1952	14,582,561	21,428,175	6,510	4,189,344
1953	11,330,812	7,406,528	111,511	6,520,589
1954	9,139,524	10,682,406	173,455	12,093,846
1955	23,896,185	10,903,586	47,827	21,268,438
1956	25,184,807	14,400,804	11,724	20,302,243
1957	9,136,683	23,359,784	88,548	15,498,439
1958	10,423,791	7,711,037	153,024	24,841,918 *
1959	12,248,813	4,843,350	463,966	33,210,433 *
1960	7,474,184	2,707,722	482,777	24,666,607 *
1961	40,518,345	4,385,867	871,145	56,017,228 *

* Industrial values exceed totals of Mines, Oils and Banks



A. PREFACE

It is the contention of the Council of The Corporation of the District of Burnaby, that insofar as the municipalities of British Columbia are concerned, tax anticipation loans to municipalities by the chartered banks are amongst the best secured loans dealt with by the banks, and as such, should enjoy preferential rates of interest.

B. BORROWING POWERS OF MUNICIPALITIES

Pursuant to the Municipal Act R. S. B. C. 1957, municipalities may contract debts for:

1. The supply by contract of materials and services, professional or otherwise, required for the operation, maintenance and administration of the municipality and of municipal property. (sec 247).
2. Any capital purpose within the jurisdiction of Council (Villages and local Districts excepted to a degree) by the issue and sale of debentures or by other obligation. (Sec. 248).
3. Any capital purpose within the jurisdiction of Council, with the obligation so incurred to be repaid within five years, provided that the aggregate of such debts outstanding shall not exceed at any time, a total amount equal to Five Dollars multiplied by the population figure of the municipality, or One Hundred Thousand Dollars, whichever is the lesser. (Sec. 260).
4. To meet current lawful expenditures with the obligation so incurred to be repaid within the current year. (Sec. 264).

C. THE ROLE OF CHARTERED BANKS

The following outlines the role of the chartered banks in the financing of the above:

1. The intent of Section 247 of the Municipal Act is to permit a municipality to contract over a period of years for the purchase of materials, equipment or services necessary to its operation. If the duration of the contract is for five years or less, the assent of the owner-electors is not required. If longer than five years, but not exceeding twenty years, the assent of the owner-electors is required.

The contract is with the supplier of the materials, equipment or services, but it is quite common for the account to be assigned to a chartered bank. Of special interest is that hire purchase contracts for heavy equipment especially designed for assignment to a chartered bank, can greatly decrease the interest cost to the municipality.
2. Under Section 248 borrowings can take a number of forms. The first is by the issue and sale of debentures. In this, traditionally, the chartered banks have purchased the first five year maturities of selected credits.



C. 2.cd. If debentures are issued, temporary financing may be secured upon the hypothecation of the debentures with a chartered bank, or with anyone willing to advance the money. In the case of local improvements, temporary financing may be arranged with anyone, pending the passage of a debenture by-law and the issue and sale of debentures. (Sec. 607).

The second is by contract, (for example, the District of Burnaby has a contract with the Greater Vancouver Sewerage and Drainage District for financing over long term, the costs of local sewerage and drainage systems). Such contracts may provide for temporary financing through a chartered bank or anyone else, pending completion of the financing called for in the contract.

3. Section 260 was designed to give a Council emergency borrowing powers without a vote of the owner-electors. Funds may be secured from anyone willing to lend same.
4. Section 264 permits borrowing in anticipation of current revenue. Currently there are two methods of securing such funds. The first is by time notes with a chartered bank, and the second is by an auction of such time notes.
5. On the date of this report, the prime rate of interest chargeable by chartered banks on borrowings by municipalities for capital or current purposes, is $5\frac{1}{2}\%$ the same as applicable to the Provincial Governments. This rate is also applied to high grade commercial credits. Some years ago, when interest rates chargeable by the banks were low, municipalities with populations in excess of 50,000 enjoyed a better rate of interest than those with lesser populations. Furthermore, there was a greater spread between the rates applicable to the individual municipality, depending upon the credit rating of the community. With the prime rate established at $5\frac{1}{2}\%$, most municipalities are being charged this rate, and none may bargain for a better rate.
6. Tender loans given by the banks are at very low rates, but the circumstances concerning them are special, and account for the lowness of the rates. Recognized Stock and Bond dealers call loans are at rates from $3\frac{3}{4}\%$ to $5\frac{1}{4}\%$ in connection with Canada debentures, $5\frac{1}{4}\%$ to $5\frac{1}{2}\%$ in connection with Provincial debentures, and $5\frac{1}{2}\%$ in connection with all other types of debentures. Certain margins of the securities are required to secure the loans which may run for indefinite periods.

D. TEMPORARY FINANCING IN THE OPEN MARKET

At the present time, in the open market, the larger municipalities may obtain temporary financing at interest rates of possibly $3\frac{1}{2}\%$ and upwards, dependent upon the term of the borrowing and the size and credit rating of the municipality. This market is untested in British Columbia, but it is well tested in Ontario and Alberta. However, borrowing in this fashion would be restricted to the larger municipalities, as indications are that each issue would require to be



D. cd. in the neighbourhood of \$100,000. or more.

E. CONCLUSION

1. There are three classes of loans made by the chartered banks to municipalities.
 - (a) Interim financing of capital projects either by promissory note or by hypothecation of debentures pending the issue and sale of debentures.
 - (b) Short term capital financing upon promissory note whereby the municipality undertakes to levy over a short number of years, the required repayment of principal and the interest charges.
 - (c) Financing of current lawful expenditures by promissory note repaid during the current year, upon a pledge of tax receipts.
2. While it is believed that a good credit municipality should enjoy interest rates on borrowings for capital purposes, at least as low as applied to a high grade industrial or commercial enterprise, it is recognized that a bank is placed in a difficult position in calling its loans in a period in which market conditions will not absorb a debenture issue. In other words, there is a degree of risk in such loans.
3. It is submitted, however, that the degree of risk involved in tax anticipation loans to municipalities is much less, and should gain for the municipalities preferred rates of interest. The regulations set out in the Municipal Act pertaining to borrowing, are appended to this submission. From Section 264 thereof, it will be observed that the Act prescribes rigid limits of borrowing, and prescribes that revenues as collected shall be set aside for the repayment of the debt. In British Columbia, tax arrears are not permitted to accumulate beyond three years, at which time, properties are sold for taxes. This gives incentive to property owners to meet property tax payments before meeting other obligations during depressed economic periods. In any event, a prudent Bank Manager should have little difficulty collecting on tax anticipation loans if the loan is kept within a reasonable percentage of the total anticipated tax collection, and if he sees that receipts are deposited according to law and from time to time applied to the reduction of the loan.

F. REGULATIONS PERTAINING TO MUNICIPAL BORROWING

The Sections of the Municipal Act pertaining to borrowing are appended hereto.

G. PRESENTATION AT HEARING

With the desire to conserve the time of the Commission, the municipality does not request permission to make personal representations at the hearings. Nevertheless, it stands ready and willing to supply further information, or to appear at the hearings at the pleasure of the Commission.

1. In the event of a loan of \$10,000, or more,

There are three classes of loans made by the Government to the States:

(a) Interest financing of capital projects either by promissory notes or by bonds.

(b) Short-term capital financing upon promissory notes.

(c) Short-term capital financing upon promissory notes.

Leave over: Short-term capital financing upon promissory notes.

(c) Financing of current business expenditures by promissory notes.

year, upon a basis of tax receipts.

2. While it is true that a good credit rating is a high credit rating on the part of

for capital purposes, at least as low as a high credit rating on the part of

operation, it is not true that a good credit rating is a high credit rating on the part of

operation, it is not true that a good credit rating is a high credit rating on the part of

as a direct result of such loans.

3. It is admitted, however, that the degree of risk involved in such loans is not

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24. The Government is not to be held responsible for the results of such loans.

The Government is not to be held responsible for the results of such loans.

25. The Government is not to be held responsible for the results of such loans.

With this exception, the Government is not to be held responsible for the results of such loans.

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MUNICIPAL ACT R.S.B.C. 1957

PART VI

CONTRACTING DEBTS

Division (1). --- Incurring Liabilities and Borrowing Money

247. (1) The Council shall not incur any liability beyond the amount of the municipal revenue for the current year and any of the accumulated revenue surplus of prior years appropriated for the annual budget or the annual budget as amended, except as hereinafter provided in this Division.

(2) The Council shall not borrow in anticipation of current revenue, save as hereinafter provided in this Division.

(3) Notwithstanding subsection (1), the Council may contract for the supply of materials, equipment, and services, professional or otherwise, required for the operation, maintenance, and administration of the municipality and of municipal property,

(a) where the duration of the contract is for five years or less, without the assent of the owner-electors; and

(b) where the duration of the contract exceeds five years and not more than twenty years, with the assent of the owner-electors.

(4) Notwithstanding subsection (1), where in this Act provision is made for the acquisition, by lease or otherwise, of real or personal property, the Council may enter into a lease or other agreement,

(a) where the duration of the lease or other agreement is for five years or less, without the assent of the owner-electors; and

(b) where the duration of the lease or other agreement exceeds five years and not more than twenty years, with the assent of the owner-electors; and

(c) with the Crown in right of Canada or of the Province, without the assent of the owner-electors.

(5) Except under clause (c) of subsection (4), no contract, lease, or agreement shall be entered into under this section where the duration or term of the contract, lease, or other agreement is in excess of twenty years. 1957, c.42, s.244; 1958, c.32, s.116.

248. (1) The Council may, by by-law adopted in accordance with the formalities and restrictions contained in this Act, provide for contracting debts by borrowing and for levying rates for the payment of such debts, including interest.

(2) In the case of a city, town, or district municipality, the funds borrowed or obligation incurred may be used only for a capital purpose within the jurisdiction of the Council, except as otherwise provided in this Act.

(3) In the case of a village municipality, the funds borrowed or obligation incurred may be used only for any of the following purposes:-

(a) The purchase, construction installation, reconstruction, enlargement, and extension of waterworks, electrical, gas, and sewerage systems:

(b) The purchase and housing of fire apparatus and other appliances for fire protection:

(c) The paving and surfacing of highways:

(d) The purchase, construction, reconstruction, enlarging, and equipping of a hospital or the granting of aid to a hospital society for such purposes.

(4) In the case of a local district, the funds borrowed or obligation incurred may be used only for any of the following purposes:-

(a) The purchase, construction, installation, reconstruction, enlargement, and extension of waterworks, electrical, gas, and sewerage systems:

(b) The purchase and housing of fire apparatus and other appliances for fire protection:

(c) The purchase, construction, reconstruction, enlarging, and equipping of a hospital or the granting of aid to a hospital society for such purposes. 1957, c.42, s.245; 1958, c.32, s.117.



Municipal Act

249. (1) No debt shall be contracted by a city, town, or district municipality which causes the aggregate of debts for all purposes, other than debts for temporary current borrowings, debts for school purposes, and one-half of the debt for a utility or other municipal enterprise in respect of which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities, to exceed twenty per centum of the total of

- (a) the assessed value for general municipal purposes of the taxable land and improvements within the municipality, which assessed value shall be the average of the total value shown in respect of such land and improvements upon the real-property assessment roll for the current year and for the two years immediately preceding the year in which the debt is created; and
- (b) the value of the utility systems and other municipal enterprises in respect of which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities, such value to be determined by the cost of the systems and enterprises less the amounts approved by the auditor from time to time for depreciation.

(2) No debt shall be contracted by a village or local district which causes the aggregate of debts for all purposes, other than debts for temporary current borrowings and one-half of the debt for a utility or other municipal enterprise in respect of which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities, to exceed the total of

- (a) ten per centum of the assessed value for general municipal purposes of the taxable land and improvements within the municipality, which assessed value shall be the average of the total value shown in respect of such land and improvements upon the real-property assessment roll for the current year and for the two years immediately preceding the year in which the debt is created; and
- (b) twenty per centum of the value of the utility systems and other municipal enterprises in respect of which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities, such value to be determined by the cost of the systems and enterprises less the amounts approved by the auditor from time to time for depreciation.

(3) For the purpose of calculating borrowing power under this section, the unencumbered funds or securities held at the credit of a sinking fund or debt repayment fund (excluding those held in respect of debts for school purposes and one-half of those held in respect of debts for utilities or other municipal enterprises) to a value approved by the Inspector of Municipalities shall be deducted from the aggregate of the debts outstanding. 1957, c.42, s.246; 1958, c.32, s.118 (altered).

250. In every by-law adopted under section 248 there shall be recited

- (a) the amount of the debt intended to be created, and in brief and general terms the object for which it is to be created;
- (b) the amount of the assessed value for general municipal purposes of the taxable land and improvements for the current year and for each of the two years immediately preceding the year in which the debt is to be created;
- (c) the depreciated value as at the thirty-first day of December of the year immediately preceding the year in which the debt is to be created of such utility systems and other municipal enterprises for which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities;
- (d) the amount of the existing debenture debt of the municipality, and the amount (if any) of the principal and interest in arrears;
- (e) what consents or approvals required by this or any other Act have been obtained.

1957, c.42, s.247; 1958, c.32, s.119.



Municipal Act

251. No by-law adopted under section 248 is valid unless

- (a) there is stated in the by-law a date on which it shall take effect;
- (b) the amount of the debt is repayable within the lifetime of the work for which the debt is incurred, or, except where the by-law is one authorizing the issuance of sinking fund debentures under clause (c) of subsection (1) of section 252, in any case not later than thirty years from the date of the debentures or other obligations issued for such debt;
- (c) the by-law provides that the requisite sums shall be levied and raised by way of real-property taxes in each year by a rate sufficient either
 - (i) to make the annual payments for interest and for the repayment of the principal; or
 - (ii) to make up any known or anticipated deficiency in the amounts raised or to be raised by any special charge, rate, or tax for the annual payments of interest and for the repayment of the principal; or
 - (iii) where it is known or anticipated that the revenue derived from the undertaking in respect of which a debt is created will be insufficient to meet the annual payments of interest and for the repayment of the principal of the debt, to make up the deficiency of the proceeds from the use of the undertaking by the municipality or by any other person;
- (d) the by-law, or project or undertaking to which the by-law relates, has received the consents or approvals required by this or any other Act;
- (e) the by-law has received the assent of the owner-electors. 1957, c. 42, s. 248; 1958, c. 32, s. 120 (altered).

252. (1) A by-law adopted under section 248 may authorize the issuance of

- (a) debentures pursuant to the terms and conditions of which payments to be made in repayment of principal and payments to be made by way of interest on principal are combined into blended payments of principal and interest payable annually, during the currency of the debentures, as nearly as practicable in equal amounts. In such case the by-law shall settle a certain specific sum to be provided annually during the currency of the debentures for each payment;
- (b) debentures pursuant to the terms and conditions of which payments by way of interest on principal are to be made semi-annually or annually and payments in repayment of principal are to be made by specified annual instalments during the currency of the debentures. In such case the by-law shall settle a certain specific sum to be provided in each year during the currency of the debentures for the payment of the interest, and a certain specific sum to be provided in each year for the payment of the instalment of the principal;
- (c) sinking fund debentures for a term not exceeding thirty-five years if the payment of interest thereon and the repayment of principal thereof is to be guaranteed by the Province and if the sinking fund payments therefor are to be made to and be administered by the Minister of Finance.

(2) The by-law may provide that the debt, and all debentures or other obligations outstanding issued therefor, may be called in and paid at any time before maturity upon such terms as to notice or otherwise as may be specified by the by-law.

(3) The by-law, with the approval of the Lieutenant-Governor in Council, may provide, where sinking fund debentures are to be issued, that the provision for annual sinking fund payments may be deferred for an initial period not exceeding five years if the provision for annual sinking fund payments for the remainder of the term of the debentures is an amount sufficient for the full repayment of the debentures at maturity.

(4) Where a water or sewerage system has been provided, in whole or in part, under Part XVI or the Local Improvement Act, being chapter 237 of the Revised Statutes of British Columbia, 1948, such project shall be deemed to be self-liquidating if the levies imposed under section 532, 568, 569, or 616 are sufficient to meet the annual expenses for maintenance, operation, and payments of interest and principal of debts incurred therefor, including the corporation's share of such payments.



Municipal Act

252. (5) Where under subsection (4) sewer rentals or consumer rates or charges for water are imposed sufficient together with the frontage tax to make the project self-liquidating, the Council may transfer to general revenue from the said rentals, rates, or charges an amount annually equal to, but not greater than, a levy imposed under a by-law for the corporation's share of the payments of interest and principal of debts incurred for such projects. 1957, c.42, s.249; 1958, c.32, s.121.

253. Notwithstanding section 251, it is not necessary to obtain the assent of the owner-electors to a by-law for contracting debts when the moneys so borrowed are used to pay for works undertaken under the provisions of Division (1) of Part XVI. 1957, c.42, s.251.

254. (1) For the purposes of this Part, a municipality owning and operating a utility or other municipal enterprise consisting of works, equipment, or facilities

- (a) for supplying gas, electrical energy, or water;
- (b) for transporting persons or property;
- (c) for transmitting messages by telephone;
- (d) for providing sewerage facilities

may apply to the Inspector of Municipalities for a certificate of self-liquidation in respect thereof.

(2) Notwithstanding subsection (1), the Inspector of Municipalities may issue a provisional certificate of self-liquidation for a utility or municipal enterprise prior to completion of construction and pending its full operation by the municipality. A provisional certificate shall, for the purpose of this Division, be deemed a certificate.

(3) A certificate granted under subsection (1) or subsection (2) may be revoked by the Inspector of Municipalities upon evidence that such utility or enterprise is no longer self-liquidating or within a reasonable time has not become self-liquidating. 1957, c.42, s.252; 1959, c.56, s.7.

255. Every by-law for contracting debts by borrowing shall be approved by the Inspector of Municipalities, who may, in his discretion and upon consideration of the economic circumstances involved,

- (a) refuse to grant his approval if he considers that the debt proposed to be created by the by-law should not be created;
 - (b) withhold his approval until he is satisfied that the project can be completed for the amount proposed to be borrowed;
 - (c) withhold his approval until he is satisfied that the depleting of the borrowing power occasioned thereby will not unduly delay the undertaking of other projects of established urgency then under contemplation;
 - (d) withhold his approval until the amount proposed to be borrowed is reduced;
 - (e) withhold his approval until the terms of the by-law as to repayment or otherwise are altered or amended to his satisfaction and in accordance with his directions.
- 1957, c.42, s.253; 1958, c.32, s.123.

256. An appeal lies from every decision of the Inspector of Municipalities under section 255 to the Lieutenant-Governor in Council, and the Lieutenant-Governor in Council shall hear and determine the matter, and may confirm, rescind, or amend the decision of the Inspector. The determination of the Lieutenant-Governor in Council on the appeal shall be conclusive and binding on all parties, including the Inspector. 1957, c.42, s.254.

257. (1) Except as hereinafter provided in this section, all debentures issued under the same by-law shall bear the same date, which date shall not be more than two years from the date the authorizing by-law takes effect.

(2) Where it is anticipated that a project may require more than one year to complete, the by-law authorizing the debentures may provide that the debentures may be issued in series of certain amounts and at specified times, so long as no series of debentures is dated more than four years from the date the authorizing by-law takes effect.

Municipalities



Municipal Act

257. (3) Any interest accrued on any debenture at the date of delivery of the debenture by the municipality to the purchaser shall be payable by the purchaser to the municipality.
1957, c. 42, s. 255; 1958, c. 32, s. 124.

258. The Council may, pending the sale of any debentures authorized pursuant to this Act, by by-law, without the assent of the electors or the Inspector of Municipalities, borrow from any person sums not exceeding in the aggregate the face value of such unsold debentures and as security for such borrowings hypothecate with the lender the unsold debentures; provided that

- (a) the money so borrowed be used solely for the purposes for which such debentures were created; and
- (b) the proceeds from the sale of the debentures, or so much thereof as may be necessary, shall be used to repay the money so borrowed. 1957, c. 42, s. 256.

259. (1) The Council may invest temporarily the proceeds, or any part of the proceeds, obtained from the sale of debentures in securities of the Government of Canada or of any Province thereof, or in securities the principal and interest of which are guaranteed by the Province of British Columbia.

(2) Any interest earned on the investment of such funds shall be used solely for the purposes for which such debentures were created or toward the payment of interest thereon. 1957, c. 42, s. 257.

260. (1) Notwithstanding any other provision of this Act, where the Council deems it necessary or advisable to contract a debt for any purpose of a capital nature, not in excess of an amount as calculated under subsection (2) and repayable within the time specified in subsection (2), the Council may, by by-law, without the assent of the owner-electors, contract the debt by borrowing and making due provision for the repayment of the debt and any interest thereon.

(2) No by-law adopted under subsection (1) is valid that is not in accordance with the following restrictions and provisions:---

- (a) The aggregate of such debts outstanding shall not exceed at any time a total amount equal to five dollars multiplied by the population figure of the municipality, or one hundred thousand dollars, whichever is the lesser;
- (b) In the by-law shall be stated a date on which it is to take effect;
- (c) The whole of the debt, and of the obligations to be issued therefor, shall be made payable on or before five years from the date of the obligations issued for such debt;
- (d) The obligations issued for such debt shall be dated within the same calendar year in which the by-law is adopted;
- (e) The by-law shall provide that such sums are to be raised and levied in each year during the currency of the obligations as shall be sufficient for the payment of interest at a rate fixed by the by-law and for the repayment of principal as it becomes due.
1957, c. 42, s. 258; 1958, c. 32, s. 125.

261. In every by-law adopted under section 260, there shall be recited

- (a) the amount of the debt intended to be created, and in reasonable detail the object for which it is to be created;
- (b) the amount of any existing obligations authorized under section 260;
- (c) the amount of the existing debenture debt of the municipality, and the amount (if any) of the principal and interest in arrears;
- (d) what consents or approvals required by this or any other Act have been obtained.
1957, c. 42, s. 259.

Municipal Act

257. (3) Any interest running on any debt of the date of delivery of the debenture by the municipality to the purchaser shall be payable by the purchaser to the municipality.

258. The Council may, by giving the rate of any debentures authorized pursuant to this Act, by-law, without the assent of the electors or the proprietor of Municipalities, borrow from any person sums not exceeding in the aggregate the face value of such municipal debentures and the security for such borrowings, together with the interest thereon, shall be guaranteed by the municipality. (a) The money so borrowed shall be used solely for the purposes for which such debentures were created or toward the payment of interest thereon. (b) The proceeds from the sale of the debentures, or so much thereof as may be necessary, shall be used to repay the money so borrowed. 1967, c. 42, s. 258.

259. (1) The Council may, without temporary authority, the proceeds, or any part of the proceeds, obtained from the sale of debentures in securities of the Government of Canada or of any Province thereof, or in securities the principal and interest of which are guaranteed by the Province of British Columbia, for which such debentures were created or toward the payment of interest thereon. 1967, c. 42, s. 259.

260. (1) Notwithstanding any other provision of this Act, where the Council deems it necessary or advisable to contribute to the cost of any project or purpose of a capital nature, not in excess of an amount calculated under subsection (2) and payable within the time specified in subsection (3), the Council may, by-law, without the assent of the electors, contract the debt by borrowing and making the provision for the repayment of the debt and any interest thereon.

(2) No by-law under subsection (1) is valid that is not in accordance with the following conditions and provisions:—
(a) The aggregate of such debt outstanding at any time shall not exceed five times the population figure of the municipality, as determined by the last census, whichever is the lesser.
(b) In the by-law shall be stated a date on which it is to take effect.
(c) The whole of the debt, and of the obligations to be issued therefor, shall be payable on or before five years from the date of the by-law, or on such other date as may be determined by the Council.
(d) The obligations issued for such debt shall be dated within the same calendar year in which the by-law is adopted.
(e) The by-law shall provide that such sums are to be raised and loaned to carry out during the term of the obligations as shall be sufficient for the payment of interest at a rate fixed by the by-law for the repayment of principal as it becomes due.

261. Every by-law under section 260, where such is required, shall be recited:
(a) the amount of the debt intended to be created, and in respect of the debt the rate of interest to be paid;
(b) the amount of the existing debt of the municipality, and the amount of the principal and interest in arrears;
(c) what sums are or approval, repaid by the Council or any other Act have been obtained.



Municipal Act

262. (1) A by-law under section 260 shall not be adopted until the terms of the by-law, the nature and form of the securities to be issued, the terms of repayment, and the project have been submitted in detail to the Inspector of Municipalities and have received his approval.

(2) The Inspector of Municipalities may, before granting his approval to a by-law proposed to be adopted under section 260, require the Council to submit a budget of capital expenditures covering the ensuing five-year period and showing the proposed method of financing the expenditures. 1957, c.42, s.260.

263. Obligations issued under authority of a by-law adopted under section 260 shall rank as debenture debt of the municipality. 1957, c.42, s.261.

264. (1) Notwithstanding any other provision of this Act, the Council may, without the assent of the electors or the approval of the Inspector of Municipalities, by by-law provide for the borrowing of such sums of money as may be requisite to meet the current lawful expenditures of the municipality.

(2) A by-law adopted under subsection (1) is not valid unless

- (a) the whole of the debt is thereby made payable within the current year;
- (b) the maximum amount to be borrowed is stated, together with the maximum rate of interest; the date stated on or before which all principal and interest is payable; and the form of the obligation to be given as acknowledgment of the liability;
- (c) it is provided therein that, in addition to any other requirements as to signature, the obligation or obligations issued shall bear the signature of the Treasurer;
- (d) the total of the liability authorized to be incurred by a by-law does not exceed the whole unencumbered amount of taxes due to the municipality in respect of the immediately preceding year, plus the whole amount remaining unpaid of the taxes for all purposes levied or to be levied during the current year, less the total liability previously incurred under this section;
- (e) the amount of the unpaid taxes which are set aside as security for the liability authorized to be incurred is shown either in the by-law or in a schedule thereto.

(3) In case a by-law adopted under this section authorizes borrowings to be made prior to the adoption of the annual rate by-law or prior to the time when the amount of the tax levy for the current year can be ascertained, the amount authorized shall not exceed seventy-five per centum of the whole levy made in the immediately preceding year.

(4) Where money is borrowed pursuant to a by-law adopted under this section, the Council shall set aside as security for the liability authorized to be incurred the unpaid taxes due the municipality at the end of the immediately preceding year which have not been pledged or otherwise encumbered, and the taxes for the current year or such part thereof as may be considered expedient, and the money borrowed shall be a first charge thereon; and thereafter the money received from those taxes shall not be intermingled with other funds or income of the municipality, but shall be applied only in repayment of the money borrowed and the interest thereon until the liability so incurred has been fully discharged, after which the remainder of the taxes so set aside may be used for any lawful purpose of the municipality.

(5) The taking of special security under this section shall not limit or affect in any way the general liability of the municipality in respect of any money authorized to be borrowed under this section. 1957, c.42, s.262; 1958, c.32, s.126.

265. A member of the Council who votes for any by-law or who signs any obligation, in contravention of the provisions of this Division, or who agrees to any contravention of the provisions of this Division, shall be disqualified from holding any municipal office for five years. 1957, c.42, s.263.



Municipal Act

Division (2). --- Debentures and Other Instruments

266. (1) All debentures and other instruments relative to the contracting or repayment of debts duly authorized to be executed on behalf of a municipality shall, unless otherwise specially authorized or provided, be sealed with the seal of the municipality, and be signed by the Mayor, Reeve, or Chairman, as the case may be, and by the Clerk.

(2) A Council may by by-law provide that some other person or persons shall sign any debentures in place of the persons mentioned in subsection (1).

(3) The coupons attached to any debenture shall bear the signatures of the persons signing the debenture.

(4) The signatures to the coupons attached to a debenture may be written, or they may be stamped, printed, lithographed, or be in other facsimile form.

(5) A debenture or other instrument which does not conform to the requirements of this section is not valid. 1957, c.42, s.264; 1958, c.32, s.127.

267. Any debenture issued on behalf of any municipality, payable to bearer, or to any person named therein or bearer, may be transferred by delivery, and such transfer vests the property of such debenture in the holder and enables him to maintain an action thereupon in his own name. 1957, c.42, s.265.

268. Any debenture issued and made payable to any person or order is, after the endorsement thereof in blank by such person, transferable by delivery from the time of the endorsement, and the transfer vests the property thereof in the holder and enables him to maintain an action thereupon in his own name. Any debentures so made payable to the holder thereof may be subsequently made payable to any person or his order and registered in accordance with the provisions of section 269. 1957, c.42, s.266.

269. Any debenture may contain or may have endorsed upon it a provision to the following effect:--

This debenture, or any interest therein, shall not, after a certificate of ownership has been endorsed hereon by the Treasurer of this municipality be transferable, except by entry by the Treasurer or his deputy in the debenture registry book of the municipality at the of .

And in such case the Treasurer, on the application of the owner of the debenture or of any interest in it, shall endorse upon the debenture a certificate of ownership, and shall enter in a book, to be called the "debenture registry book," a record of the certificate and of every certificate which is subsequently given, and shall also enter in such book a memorandum of every transfer of such debenture. 1957, c.42, s.267.

270. A certificate of ownership shall not be endorsed on a debenture except by the written authority of the person last entered as the owner of it, or of his executors or administrators, or of his or their attorney, which authority shall be retained and filed by the Treasurer. 1957, c.42, s.268.

271. After a certificate of ownership has been endorsed, the debenture is transferable only by entry by the Treasurer in the debenture registry book, as and when a transfer of the debenture is authorized by the then owner of it, or his executors or administrators, or his or their attorney. 1957, c.42, s.269.

272. On the written request of the person named as owner in the certificate of ownership endorsed on any debenture, or of his executors or administrators, or of his or their attorney, the Treasurer may cancel and remove such certificate of ownership and thereby constitute the security a debenture payable to bearer and transferable by delivery. 1957, c.42, s.270.



Municipal Act

273. A municipality is not bound to see to the execution of any trust, whether express, implied, or constructive, to which any of its debentures or securities are subject. 1957, c.42, s.271.

274. In a suit or action upon any debenture, it is not necessary for the plaintiff to set forth in the declaration or other pleading or to prove the mode by which he became the holder of the debenture, or to set forth or to prove the notices, by-laws, or other proceedings under and by virtue of which the debenture was issued; but it is sufficient in such pleading to describe the plaintiff as the holder of the debenture (alleging the endorsement in blank, if any), and shortly to state its legal effect and purport, and to make proof accordingly. 1957, c.42, s.272.

275. Debentures issued under authority of any by-law adopted under this Act are valid and binding upon the municipality, notwithstanding any insufficiency in form or otherwise of such by-law or debenture, or in the authority of the municipality in respect thereof; provided that the by-law has received the assent of the electors, where necessary, and that no successful application has been made to quash the same within the time limited by this Act. 1957, c.42, s.273.

276. When debentures have been issued under a by-law which has not been quashed by a Court of competent jurisdiction within a year of its adoption, and the interest thereon, which shall have fallen due, has been paid for the period of one year by the municipality, the by-law and the debentures issued thereunder, or so much thereof as may be unpaid, are valid and binding on the municipality, on the electors and the ratepayers thereof, and on all parties concerned. 1957, c.42, s.274; 1958, c.32, s.128.

277. Debentures issued on behalf of a municipality may be made payable as to both principal and interest either in Canada in Canadian currency, or in The United States in United States currency, or in the United Kingdom in sterling. 1957, c.42, s.275.

278. (1) Any debentures, when issued, may be disposed of by the Council, or by the person appointed by the Council for that purpose, to such person as deemed expedient, and at a rate below par if deemed necessary.

(2) Any debenture issued on behalf of a municipality is valid and recoverable to the full amount, notwithstanding its negotiation by such municipality at a rate less than par. 1957, c.42, s.276.

279. In all cases where, by Statute or by-law, a Council is empowered to borrow upon the credit of the municipality a sum of money for a specific purpose, and the debentures issued do not amount in selling value to the sum so to be borrowed, the Council may by by-law, without the assent of the owner-electors, issue additional debentures sufficient to realize the amount authorized to be borrowed by the Statute or by-law, or such lesser amount as may be deemed expedient, and the amount of such additional debentures and the interest thereon may be raised, levied, and collected as if they were part of the debentures authorized by such Statute or by-law; provided, however, that such additional debentures may not be issued without the approval of the Lieutenant-Governor in Council. 1957, c.42, s.277; 1958, c.32, s.129.



Municipal Act

280. Where any debenture is lost, stolen, or destroyed, and where notice of loss, theft, or destruction is given to the Council, and if neither the said debenture nor any of the coupons annexed thereto has been presented for payment, then upon application, accompanied by proof of the facts satisfactory to the Council and upon delivery to the municipality of a bond or policy of a guarantee or insurance company approved by the Council and carrying on business in the Province in the amount of the debenture together with all interest thereon indemnifying the municipality and its paying agents against loss or damage and upon payment of all costs of printing, the Council may, after the expiration of six months after the receipt of said notice, cause to be issued a duplicate debenture, with coupons attached, such duplicate to be printed in a manner distinguishing it from the original debenture. This section applies to debentures lost, stolen, or destroyed before as well as after the coming into force of this section. 1957, c. 42, s. 278.

281. Debentures which, for any cause, are to be cancelled and destroyed, shall only be cancelled and destroyed under the supervision of the Mayor, Reeve, or Chairman, and the Treasurer, who shall forward to the Inspector of Municipalities a certificate attested to by them and the auditor that the said cancellation and destruction has been effected. 1957, c. 42, s. 279.

Extension of Period of Debenture Debt

282. (1) The Council may by by-law, without the assent of owner-electors, refinance the whole or any part of the outstanding debenture debt of the municipality by authorizing the issuance to such of the bondholders as may consent thereto of new debentures bearing the same or a lower rate of interest, but running for a longer term, to replace debentures theretofore issued, and may make such rearrangements in respect of the debt charges required to be levied as may be necessary by the issuance of such new debentures.

(2) For each and every such new debenture issued, outstanding debentures of a like amount shall be cancelled, so that in no way shall the debenture debt of the municipality be increased by the issuance of such new debentures.

(3) No such new debentures shall be issued which extends the final date of maturity by more than ten years.

(4) No by-law adopted under this section shall come into force until approved by the Lieutenant-Governor in Council.

(5) No further by-law shall be adopted authorizing the issuance of debentures in place of new debentures issued pursuant to this section. 1957, c. 42, s. 280.

Division (3). --- Use of Borrowed Money

283. (1) Except as herein provided, no money borrowed by a municipality under the provisions of this or any other Act shall be used for any purpose other than that specified in the by-law under which the moneys were authorized to be borrowed.

(2) In respect of borrowed moneys not repayable within the current year, the Council may, with the approval of the Inspector of Municipalities, by by-law adopted with the assent of the owner-electors, expend the whole or any part of moneys borrowed for a specific purpose for any other lawful purpose of the municipality.

(3) After any work has been completed for which moneys have been borrowed and the costs of the work have been fully paid, the Council may by by-law, with the approval of the Inspector of Municipalities, provide for the use of any unexpended balance of the moneys so borrowed in any of the following ways:---

- (a) For retirement of the debentures issued in respect of the work and borrowing:
- (b) For purchase and cancellation of debentures issued in respect of the work:
- (c) For expenditures of a nature similar to the purpose specified in the by-law under which the moneys were authorized to be borrowed:
- (d) For a reserve fund in respect of clause (a), (b), or (c), and the provisions of Part VII apply mutatis mutandis. 1957, c. 42, s. 281; 1958, c. 32, s. 130.



Municipal Act

284. (1) Any member of Council who votes for any by-law or resolution authorizing the expenditure of moneys contrary to the provisions of Section 283, and any Treasurer or other employee of the municipality who obeys any such by-law or resolution, and any officer of the municipality who of himself disposes of moneys contrary to the provisions of section 283, is personally liable to the municipality for the amount thereof.

(2) Any sums due the municipality under this section may be recovered by the municipality, or by any elector suing in the name of the municipality or suing on behalf of himself and all other electors of the municipality, or by the holder of any security suing in the name of the municipality.

(3) In addition to any other penalty to which he may be liable, any member of a Council who votes as aforesaid is disqualified from holding any municipal office for a period of five years from the date of his voting on such by-law or resolution.

(4) It is a good defence to any action brought under this section against any Treasurer or other employee of a municipality if it is proved that he, in writing, over his signature, gave warning to the Council that the effect of the by-law or resolution was to authorize or necessitate the use of moneys contrary to section 283. 1957, c.42, s.282; 1958, c.32, s.131.

603. The Council may, in accordance with the provisions of Part VI, borrow from any person such sums of money as may be requisite to meet the total cost of a work or the owners' portion of the cost of a work, less any portion commuted. 1957, c.42, s.603; 1958, c.32, s.279.

607. (1) Where the Council has adopted a construction by-law, the Council may, with the approval of the Inspector of Municipalities, borrow temporarily the sums required to finance the costs of the work pending the adoption of a by-law under section 603.

(2) The proceeds from the sale of debentures issued shall be first used for the repayment of any sums of money borrowed temporarily. 1957, c.42, s.607; 1959, c.56, s.47.



BRIEF

Submitted by

THE BUILDING OWNERS AND MANAGERS ASSOCIATION, VANCOUVER,
BRITISH COLUMBIA,

A. INTRODUCTORY

1. The Building Owners and Managers Association is an organization whose name is self-descriptive and has a membership numbering forty-five buildings represented by individuals, firms and corporations in the City of Vancouver, and twenty-two buildings similarly represented having associate membership in Victoria, Edmonton, Calgary, Regina and Winnipeg, engaged in the ownership and/or management of office buildings. A list of the present membership is attached as Appendix "A".

2. The objectives of the Association are to create and develop cooperation among building owners and managers; to facilitate the interchange of ideas in the economic operation and management of buildings, to encourage standard practices, and to promote the general welfare of the industry.

3. The Association wishes to appear at the hearings of the Royal Commission to be held in Vancouver commencing March 13, 1962, and the following are the names and addresses of the persons who it is intended will represent the Association at these hearings:

(1) JAMES H. GREEN
c/o The Great West Life Assurance Company,
1155 West Georgia Street,
Vancouver, B.C.,
President.

(ii) LESLIE C. CREERY
c/o L. C. Creery & Co. Ltd.,
416 Seymour Street,
Vancouver, B.C.,
Committee Member.

(iii) ERNEST R. AUSTIN,
c/o A.E. Austin & Co. Ltd.,
714 West Hastings Street,
Vancouver, B.C.,
Committee Member.

(iv) R. THEODORE DuMOULIN
850 West Hastings Street,
Vancouver 1, B.C.
Counsel.



1
2 The Association wishes to have expert witnesses testify on its
3 behalf.

4 B. SUBMISSIONS

5 4. The Association wishes to discuss the methods of opera-
6 tion of one of the institutions involved in the flow of funds to
7 the capital market, namely the Bank of Canada, in carrying out its
8 business and powers as set forth in the Bank of Canada Act.

9 5. It is submitted that the parliament of Canada when it
10 passed the Bank of Canada Act, 1934, intended, in the words of
11 the preamble "to establish a central bank in Canada to regulate
12 credit and currency in the best interests of the economic life "
13 of the nation, to control and protect the external value of the
14 national monetary unit and to mitigate by its influence fluctuations
15 in the general level of production, trade, prices and employment
16 so far as may be possible within the scope of monetary action, and
17 generally to promote the economic and financial welfare of the
18 Dominion".

19 The purpose of a preamble to a statute is, according
20 to the famous early legal writer Coke, as follows:

21 "The preamble of a statute is a good means to
22 find out the meaning of the statute, and as it
23 were, a key to open the understanding thereof".

24 Most modern statutes have very short preambles or none
25 at all. Thus when a preamble is used it clearly indicates that
26 Parliament regards it as particularly important in giving a mean-
27 ing to the statute. Accordingly, the preamble to the Bank of
28 Canada Act must be regarded as very important and as indicating
29 Parliament's intentions as to the duties of the central bank.

30 Nowhere in the preamble is there any indication that
the Bank should be allowed to trench on the legitimate fields of
citizens of the Country in private enterprises and commercial
interests.

Accordingly it is submitted that the Bank of Canada
should at all times and in all its operations adhere strictly to
not only the text of, but to the spirit of the Bank of Canada Act,
its charter. Fortunately the Bank of Canada since its establishment
in 1934 has for the most part assiduously followed this course and

The Association was asked to make a report on the
 subject.

4. The Association was asked to discuss the methods of operation of one of the institutions involved in the flow of funds to the capital market, namely the Bank of Canada, in carrying out its business and powers as set forth in the Bank of Canada Act.

5. It is submitted that the Parliament of Canada when it passed the Bank of Canada Act, 1934, intended, in the words of the preamble "to establish a central bank for Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to regulate by its influence fluctuations in the general level of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion".

The purpose of a preamble to a statute is, according to the famous early legal writer Coke, as follows:
 "The preamble of a statute is a good manner to find out the meaning of the statute, and as it were, a key to open the understanding thereof".

Most modern statutes have very short preambles or none at all. Then when a preamble is used it clearly indicates that Parliament requires it as a preliminary requirement in giving a mandate to the statute. Accordingly, the preamble to the Bank of Canada Act must be regarded as very important and as indicating Parliament's intentions as to the duties of the central bank. Nowhere in the preamble is there any indication that the Bank should be allowed to reach on the legislative basis of interests of the country in private enterprise and commerce.

Accordingly it is submitted that the Bank of Canada should at all times and in all the operations subject to the not only the text of, but to the spirit of the Bank of Canada Act. Its charter, Parliament, the Bank of Canada since its establishment in 1934 has for the most part accordingly followed this course and



thus has refrained from trenching on the legitimate fields of private enterprise and commercial interests. Instances of this are as follows:

(i) In carrying out its purely banking activities, the Bank is careful not to infringe on the activities of commercial banks.

See Appendix "B".

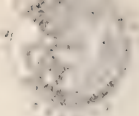
(ii) In issuing bank notes, the Bank of Canada has carefully avoided printing its own bank notes but instead always uses companies in that business such as British American Bank Note Company Limited and Canadian Bank Note Company Limited as will be seen by referring to any Bank of Canada notes.

(iii) In conducting its operations the Bank of Canada's subsidiary, the Industrial Development Bank, carefully avoids trenching on the legitimate field of private lending institutions and only makes loans to applicants who cannot obtain loans in the normal course of business.

See Appendix "C".

(iv) In buying and selling securities the Bank of Canada does not deal directly with the public and thus again in this instance does not compete with private investment dealers.

6. However, in contrast to the foregoing, the Bank of Canada has in recent years constructed large office buildings in such cities as Toronto, Montreal, Halifax and Saint John, N.B., where the Bank rents office space surplus to that actually used and occupied by it to outsiders in direct competition to privately owned office buildings. The latest development is that the Bank of Canada purchased and holds a property on the southwest corner of Hastings and Hornby Streets in the City of Vancouver on which now stands a multiple storey parking garage. The sworn value of the property according to Land Registry Office records on August 1st, 1961, was \$465,000.00. The present occupier has received notice to quit on February 28, 1962, and the Bank proposes to demolish the present parking facilities and construct a new office building



thus has remained from trading on the legitimate field of private enterprise and commercial interests. Instances of this are as follows:

(i) In carrying out its purely banking activities, the Bank is careful not to interfere on the activities of commercial banks.

See Appendix "B".

(ii) In issuing bank notes, the Bank of Canada has carefully avoided printing its own bank notes but instead always issued commercial in that business even as British American Bank Note Company limited and Canadian Bank Note Company limited as will be seen by referring to any Bank of Canada notes.

(iii) In conducting its operations the Bank of Canada's subsidiary, the Industrial Development Bank, carefully avoids trading on the legitimate field of private lending institutions and only makes loans to applicants who cannot obtain loans in the normal course of business.

(iv) In buying and selling securities the Bank of Canada does not deal directly with the public and thus again in this instance does not compete with private investment dealers.

However, in contrast to the foregoing, the Bank of Canada has in recent years constructed large office buildings in such cities as Toronto, Montreal, Halifax and Saint John, N.B. where the Bank's office space surplus to that actually used and occupied by it to consider in direct competition to privately owned office buildings. The latest development is that the Bank of Canada purchased and holds a property on the southwest corner of Hastings and Huron Streets in the City of Vancouver on which now stands a multiple story parking garage. The entire value of the property according to Land Registry Office records on August 1st, 1961, was \$165,000.00. The present occupier has received notice to quit on February 28, 1962, and the Bank proposes to demolish the present parking facility and construct a new office building.



thereon. It is understood that the plans provide for a thirteen storey building of which the Bank of Canada and its subsidiary, the Industrial Development Bank, may require some four storeys leaving nine storeys as surplus to the requirements of the Bank for the actual use and occupation of it and its subsidiary in connection with their business. Undoubtedly the Bank intends to rent this excess space to outsiders and in effect, therefore, will be engaged in the business of renting office space.

This policy, in the opinion of The Building Owners and Managers Association, is entirely wrong in principle and inconsistent with the above-mentioned other policies of the Bank of Canada and furthermore is contrary to the provisions of the Bank's charter, namely the Bank of Canada Act, particularly the prohibitory words of Section 19, reading as follows:

"The Bank shall not, except as authorized by this Act,

(a) engage or have a direct interest in any trade or business whatsoever;"

See Appendix "D".

C. RECOMMENDATION

7. Therefore, The Building Owners and Managers Association recommends as an improvement of the operations of the financial system, particularly the Bank of Canada Act, that the Bank of Canada adopt and carry out the same policy with respect to its powers of purchasing and leasing and holding real or immovable property for its actual use and occupation in connection with its business as it does with respect to all its other powers and activities as mentioned in paragraph 5 above. No amendment to the Act is required for this purpose, merely a change in policy in respect to real estate to make it consistent with the policy of the Bank in respect of all its other activities.

thereon. It is understood that the plans provide for a thirteen storey building of which the Bank of Canada and its subsidiaries, the Industrial Development Bank, may occupy some four storeys leaving nine storeys as surplus to the requirements of the Bank for the actual use and occupation of it and its subsidiaries in connection with their business. Undoubtedly the Bank intends to rent this excess space to outsiders and in effect, therefore, will be engaged in the business of renting office space.

This policy, in the opinion of The Building Owners and Managers Association, is entirely wrong in principle and inconsistent with the above-mentioned other policies of the Bank of Canada and furthermore is contrary to the provisions of the Bank's charter, namely the Bank of Canada Act, particularly the prohibitory words of Section 19, reading as follows:

"The Bank shall not, except as authorized by this Act,

(a) engage or have a direct interest in any trade or business whatsoever;

see Appendix "B".

7. Therefore, The Building Owners and Managers Association recommends as an improvement of the operations of the Bank of Canada, particularly the Bank of Canada Act, that the Bank of Canada accept and carry out the same policy with respect to its powers of purchasing and leasing and holding real or personal property for its actual use and occupation in connection with its business as it does with respect to all its other powers and activities as mentioned in paragraph 5 above. No amendment to the Act is required for this purpose, merely a change in policy in respect to real estate to make it consistent with the policy of the Bank in respect of all its other activities.



APPENDIX "A"

THE BUILDING OWNERS AND MANAGERS ASSOCIATION
MEMBERSHIP LIST -- VANCOUVER, B.C.

ACTIVE MEMBERS

Richard Alcock	Oakridge Plaza	195 W. 2nd, Van. 9
J.M. Anderson	402 W. Pender Bldg.	414-402 W. Pender, Van. 3
E.R. Austin	Tor-Dom. Bank Bldg.	714 W. Hastings, Van. 1
T.W. Bentley	Macaulay Nicolls Bldg.	435 Howe St., Van. 1
R.A. Brown	Van. Province Bldg.	102-198 W. Hastings, Van. 3
W.A. Bourke	United Kingdom Bldg.	409 Granville, Van. 2
Denys H. Back	Hycroft Medical Bldg.	678 Howe St., Van. 1
Eric Cameron	Burrard Bldg.	1030 W. Georgia, Van. 5
R.B. Cameron	Shelly Bldg.	555 Howe St., Van. 1
L.C. Creery	Metropolitan Bldg.	416 Seymour St., Van. 2
D.W. Davidson	Yorkshire House	900 W. Pender, Van. 1
D. Donald Davis	Stock Exchange Bldg.	Ker & Ker Ltd., 811 W. Pdr., Van.
E.L. Dun	B.C. Electric Bldg.	970 Burrard St., Van. 1
A.H. Ens	Rayonier Canada Bldg.	435 Howe St., Van. 1
W.E. Fowler	Wawanesa Bldg.	1138 Hornby, Van. 1
J. Ken Fraser	Fraser Bldg.	1774 W. Broadway, Van. 9
J.F. Fuchs	Vancouver Block	525 Seymour St., Van. 2
D.F. Gillis	Canada Perm. Bldg.	455 Granville St., Van. 2
J.H. Green	Shell Bldg.	425/1155 W. Georgia, Van. 2
Eric Grisdale	Van. Sun Bldg.	500 Beatty St., Van. 3
G.J. Hardman	Annacis Industrial Est	New Westminster, B.C.
R.M. Harris	Georgia Medical Dental	925 W. Georgia, Van. 1
C.C. Hawkins	Pacific Coast Bldg.	525 Seymour St., Van. 2
J.R. Hecht	525 Seymour Bldg.	525 Seymour St., Van. 2
Helen Holden	Holden Bldg.	P.O. Box 2045, Van. 3
R.C. Hurst	Dept. of Transport	739 W. Hastings, Van. 1
J.H. Jobbins	Standard Bldg.	510 W. Hastings, Van. 2
K.A. Johnson	Arts & Crafts	555 Howe St., Van. 1
E.H. Jones	Canada Trust	536 Howe St., Van. 1
G. Larkin (Aikman)	Royal Trust Bldg.	P.O. Box 2031, Van. 3
Geo. L. Lowe	Royal Bank Bldg.	675 W. Hastings, Van. 2
W. Mercer	Rogers Bldg.	470 Granville, Van. 2
J.G. Morris	Hall Bldg.	920/789 W. Pender, Van. 1
E.T. Morrison	Credit Foncier Bldg.	850 W. Hastings, Van. 1
J.J. Moulder	B.C. Telephone Bldg.	768 Seymour, Van. 2
C.W. Newbury	Imperial Oil Bldg.	1281 W. Georgia, Van. 5
C.W. O'Brian (Harris)	Marine Bldg.	355 Burrard St., Van. 1
E.F. Odlum	Mercantile Bldg.	315 W. Cordova, Van. 3
C.M.B. Pearse	Bank of Commerce	698 W. Hastings St., Van. 2
H.C.W. Pedersen	Crown Bldg.	555 Howe St., Van. 1
Wm. M. Penny	Wst. Bwy, Med. Bldg.	195 W. 2nd, Van. 9
J.R. Smith	Birks Bldg.	718 Granville, Van. 2
J.A. Staniforth	Pemberton Bldg.	418 Howe St., Van. 1
H.E. Thrift	Bank of N.S. Bldg.	Eastern Tr., 424 Burrard, Van. 1
F. Worster	Bentall Bldg.	Dom. Const. Co. 195 W. 2, Van. 9

HONORARY MEMBERS

J.Y. McCarter
J.F. Kelly
S.V. Smith
V.C. Spink
G.A. Watson

ASSOCIATE MEMBERS

J.B. Argue	Great West Life Bldg.	60 Osborne St. N., Winnipeg
D.C. Toshack	Royal Trust Bldg.	Box 748, Winnipeg
F.W. Hill	McCallum-Hill Bldg.	113-117 McCallum-Hill Bldg, Regina
M.L.S. Bryce	Crown Trust Bldg.	227 8th Ave. W., Calgary.
F.E. King	Medical Arts Bldg.	6th Ave. & 73rd St. W., Calgary
T.H. Spear	Bentall Bldg.	444 7th Ave., Calgary

2007-2008 VIENNA

W. A. Bourke
John A. Bourke

W. A. R. W. A.

W. E. Towler
A. H. Bess
E. J. Dunn

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Nethercut & Young

Toronto, Ontario

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5	C.W. O'Brian	Elvedon Bldg. Calgary.
6	P.M. Butler	Financial Bldg. 903 Financial Bldg., Edmonton
7	P. Currell	Dominion Const.Co.Bldg 10117 - 111th St., Edmonton.
8	J.C. Jefferson	The Milner Bldg. 10040 - 104th St., Edmonton.
9	R.B. McMillan	Commercial Bldg. 110 Commercial Bldg., Edmonton.
10	R.W. Peters	Canada Perm. Trust Bldg. 10126 - 100th St., Edmonton.
11	R.W. Tegler	Tegler Bldg. 101st Street, Edmonton
12	C.W. Conrad	Can. Perm. Bldg. P.O. Box 1232, Victoria.
13	E. Crawford	Otis Elevator Co. P.O. Box 2027, Van. 3
14	W.V. Fawkes	Otis Elevator Co. P.O. Box 2027, Van. 3
15	M.W. Hobbs	Turnbull Elevator Co. 1120 Hornby St., Van. 1
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APPENDIX "B"

1. The following is a quotation from a speech made by James Coyne, former Governor of the Bank of Canada, to a joint meeting of the Canadian Club and Board of Trade in Vancouver on June 29, 1960, entitled "Two Banks - One Aim".

"The impression sometimes wrongly arises that the Bank of Canada is engaged in an unconstructive activity, restraining the making of loans by others. In fact it is an essential part of Bank of Canada operations to provide the chartered banks with a rising volume of cash reserves over the years on the basis of which they may expand their loans and investments of various kinds."

"I am going to speak first about the work of the Industrial Development Bank in order to emphasize, if I can, the interest of the Directors and management of the two banks in their constructive role of promoting and encouraging and facilitating the expansion of the Canadian economy, the growth and development of Canadian industry, the maintenance of full employment to the extent that this can be influenced by monetary and credit action, and the greatest possible increase from year to year in the real standard of living of the Canadian people. The Bank of Canada and the Industrial Development Bank have one and the same Board of Directors and the same chief executive officer. They have the same ultimate objectives though they work by entirely different methods.

The Industrial Development Bank was established by Act of Parliament in 1944 in order to help fill what had been generally recognized as a gap in the Canadian financial structure and one which there seemed little likelihood would be filled or could be filled by privately-owned institutions."

"It is not to be expected that such an institution will in any way be a rival of the chartered banks, either in size or in the nature of its activities." "The chartered banks, on the other hand, provide current operating loans to all kinds of businesses and to an increasing extent are paying special attention to the needs of small business. The Industrial Development Bank is not expected to provide financing of that character, that is, operating loans."

Whilst most of the remarks contained in these quotations relate to the Industrial Development Bank, they certainly appear to be applicable just as much to the Bank of Canada in its banking operations.

OF THE

The following is a quotation from a speech made by James Goyne, former Governor of the Bank of Canada, at a joint meeting of the Canadian Club and Board of Trade in Vancouver on June 29, 1966, entitled "Two Banks - One Aim".

"The impression sometimes wrongly arises that the Bank of Canada is engaged in an unproductive activity, restricting the making of loans by others. In fact it is an essential part of Canada's operations to provide the commercial banks with a rising volume of credit reserves over the years on the basis of which they may expand their loans and invest in various kinds of assets."

"I am going to speak first about the work of the Industrial Development Bank in order to emphasize, if I can, the interest of the Directors and management of the two banks in their constructive role of promoting and encouraging and facilitating the expansion of the Canadian economy, the growth and development of Canadian industry, the maintenance of full employment to the extent that this can be influenced by monetary and credit action, and the greatest possible increase from year to year in the real standards of living of the Canadian people. The Bank of Canada and the Industrial Development Bank have one and the same Board of Directors and the same chief executive officer. They have the same ultimate objectives though they work by entirely different methods."

The Industrial Development Bank was established by Act of Parliament in 1947 in order to help fill a gap which had been generally recognized as a gap in the Canadian financial structure and one which there seemed little likelihood would be filled or could be filled by privately-owned institutions."

"It is not to be expected that such an institution will in any way be a rival of the chartered banks, either in size or in the nature of its activities. . . . The chartered banks, on the other hand, provide current operating loans to all kinds of businesses and to an increasing extent are paying special attention to the needs of small business. The Industrial Development Bank is not expected to provide financing of that character, that is, operating loans."

What most of the remarks contained in these questions

relate to the Industrial Development Bank, they certainly appear to be applicable just as much to the Bank of Canada in its banking operations



APPENDIX "C"

1. The following is a quotation from a speech made by James Coyne former Governor of the Bank of Canada to the Quebec Chamber of Commerce in Quebec City on June 12, 1961, when he was speaking for the Bank.

"If and to the extent that funds can be obtained from private sources on terms and conditions which are reasonable in the circumstances the Industrial Development Bank are not permitted to intervene."

2. The following are extracts from a brochure issued by the Industrial Development Bank.

(i) "An introduction to I.D.B."

The Industrial Development Bank helps finance small and medium-size Canadian businesses - of almost every type - where required financing is not available from other sources on reasonable terms and conditions."

(ii) "The financing is required for a business in Canada."

There are only a few types of businesses not regarded as appropriate for IDB assistance, such as those engaged in lending to others and those which obtain a substantial portion of their revenues from selling alcoholic beverages. Loans to finance residential properties or for residential land development are not available from IDB."

(iii) "The required financing is not available from other sources on reasonable terms and conditions."

IDB's function is to supplement the services of other lenders. Where there is a possibility that required financing can be obtained on reasonable terms and conditions from sources other than IDB, such possibilities should be investigated before an approach is made to IDB.

Other sources of funds include other lenders, private sources, public financing and financial assistance provided for certain categories of business by legislation such as Small Businesses Loans Act, Fisheries Improvement Loans Act, Farm Improvement Loans Act, and Farm Credit Act.

IDB gives particular consideration to the financial needs of small businesses. Most of the loans approved by the Bank are for amounts of less than \$100,000. The Bank also makes larger loans, but the larger the amount required the greater may be the possibility that the financing is available elsewhere on reasonable terms and conditions, such as from other lenders or by public financing."



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(Signed...)

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APPENDIX "D"

EXTRACTS FROM THE BANK OF CANADA ACT

R.S.C. 1952, C. 13
as amended by
R.S.C. 1952, C. 315
1951 - 54, C. 33

1. Preamble

"WHEREAS it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion: Therefore, His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:-"

2. Business and Powers of the Bank

"18.(1) The Bank may

Real estate (n) acquire by purchase or lease and hold real or immovable property for the actual use and occupation of the Bank in connection with its business and sell and dispose of the same;

Incidental powers (q) do any other banking business incidental to or consequential upon the provisions of this Act and not prohibited by this Act."

Prohibited Business Act, "19. The Bank shall not, except as authorized by this

(a) engage or have a direct interest in any trade or business whatsoever;"

Royal Commission on Banking and Finance

Hearings
held at
Vancouver

Vol.

3

Date.

March 14, 1962



Official Reporters
J. J. Nethercut and R. J. Young
Toronto, Ont.



Nethercut & Young

Toronto, Ontario

Vancouver, B.C.
Wednesday, March 14, 1962

ROYAL COMMISSION ON BANKING

AND FINANCE

I N D E X

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ROYAL COMMISSION ON BANKING
AND FINANCE

Hearings held at Vancouver,
B.C., on Wednesday,
March 14, 1962

THE COMMISSION

The Honourable Dana Harris Porter
Chief Justice of Ontario
Toronto, Ontario - Chairman

Mr. W. Thomas Brown, M.B.E.
Investment Dealer,
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.
Banker
Toronto, Ontario

Mr. Gordon L. Harrold
Agriculturalist
Calgary, Alberta

Mr. Paul H. Leman
Corporation Executive
Montreal, Quebec

Mr. John C. MacKeen
Corporation Executive
Halifax, Nova Scotia

Dr. W.A. Mackintosh
Vice-Chancellor
Queen's University
Kingston, Ontario

Mr. H.A. Hampson

- Secretary

Mr. Gilles Mercure

- Joint Secretary



Vancouver, B.C.
Tuesday, March 14, 1962

--- On resuming at 9.15 A.M.

THE CHAIRMAN: The Credit Union League
of British Columbia has a brief to be presented.

SUBMISSION BY B.C. CREDIT UNION
LEAGUE

Appearances

R.F. Williams	-	President, B.C. Credit Union League
R.J. McMaster	-	Barrister and Solicitor
R.A. Monrufet	-	Managing Director, B.C. Credit Union League
G.T. Bates	-	Administrative Assistant, B.C. Credit Union League
F. Graham	-	Auditor and Financial Advisor

MR. McMASTER: Mr. Chairman, my name is McMaster and I am general counsel for the Credit Union League. Mr. Chairman and members of the Commission, before reading the summary of the brief I would like to make a preliminary statement.

THE CHAIRMAN: May I say, Mr. McMaster, that I understand some of the ladies and gentlemen in the audience have had difficulty in hearing witnesses, and also members of the Commission had difficulty yesterday as well as the members of the press. So, if you would keep that in mind, it would be appreciated.

MR. McMASTER: Yes, Mr. Chairman, I will try to do that. I thought perhaps this preliminary statement may be helpful to the Commission both in terms of the brief of the B.C. Credit Union League and the brief you will later hear from



1 the B.C. Central Credit Union.

2 The Credit Unions in this Province take
3 great pleasure in having an opportunity to assist
4 this Commission in the difficult and interesting
5 task assigned to it. They have sought in the
6 briefs to be presented to the Commission to give
7 as frank and full a picture of credit unions in this
8 Province as they are able to do on a factual basis
9 realizing that some of the Commissioners may not
10 previously have had an opportunity to be informed
11 as to the nature of the operation of credit unions.

12 Before presenting the Summary of the brief
13 of B.C. Credit Union League, however, I would like to
14 say that the credit unions not only in British
15 Columbia but elsewhere in Canada were somewhat
16 taken by surprise to find themselves involved
17 in such things as the capital market and
18 monetary policy.

19 They have naturally been aware and proud
20 of their growth over the years in numbers and in
21 size. But they were surprised to find themselves
22 grouped with certain commercial financial
23 institutions in a rather well publicized statement
24 of a leading banker in Canada not long ago. They
25 have tended to think of their own functions and
26 value as humanitarian and sociological rather
27 than in economic terms. Consequently they find
28 themselves in a new area when they start to
29 analyze their activities in terms of financial,
30 economic and monetary policy and are for the first
time introduced into a study of the maze of
financial institutions which have developed in
Canada and the conflicting economic theories
which appear to surround the concepts of monetary

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great pleasure in having an opportunity to assist

this Commission in the difficult and interesting

task assigned to it. They have sought in the

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in such things as the credit union movement.

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size. But they were surprised to find themselves

grouped with certain commercial financial

institutions for a rather full and detailed statement

of a leading bank in Canada not long ago. They

have tended to think of credit union movement and

viewed as humanitarian and sociological rather

than in economic terms. Consequently they find

themselves in a new area when they seek to

analyze their activities in terms of financial

economic and monetary policy and in the light of

the industrial and social policy of the country.



1 control.

2 The Commission may thus find us very
3 unsophisticated in our approach and attitude.
4 Furthermore they will find us at this time
5 unprepared to express any definitive views
6 on economic and monetary matters.

7 These matters are receiving intensive
8 study by the National Association of Canadian
9 Credit Unions and the Canadian Co-operative Credit
10 Society and will be expressed to the best of the
11 ability of the credit unions at the National hearings
12 in Ottawa later. B.C. Credit Union League and
13 B.C. Central Credit Union will take part in that
14 presentation through these national associations.
15 We believe that the Commission may be reasonably
16 assured that if there are differences of opinion
17 between those expressed in the national brief
18 or briefs and those opinions then held by the
19 League and Central in British Columbia those
20 differences of opinion will be drawn to the
21 Commission's attention. We therefore beg leave
22 of the Commission to refrain from dealing with
23 questions of economic theory and monetary policy
24 and recommendations at this time.

25 We would ask the Commission to be gracious
26 enough to accept these briefs provincially as
27 evidential material upon which the representations
28 and recommendations of the National Associations
29 will later be based.

30 Recognizing the desire of the Commission
not to deal with intermediaries (a description
which Counsel finds interesting in relation to the
function of an advocate) the League has asked me
to present the Summary of their brief but to make
available to the Commission officers of the



1 League to answer your questions rising out
2 of the brief.

3 Accordingly, I have associated with
4 me today a number of officers knowledgeable
5 in the affairs of credit unions in British
6 Columbia. For the sake of orderliness we have
7 asked Mr. R.A. Monrufet, the Managing Director
8 of the League, to answer the questions of the
9 Commission. He may, however, if it pleases
10 the Commission, with respect to certain aspects
11 of the brief, seek the assistance of some of
12 his colleagues whom I now take pleasure in
13 introducing to you:

14 Mr. R.F. Williams, President of the
15 B.C. Credit Union League; Mr. Frederick Graham,
16 Auditor and Financial Advisor; Mr. R.A. Monrufet,
17 Managing Director; Mr. G.T. Bates, Administrative
18 Assistant to the Manager.

19 I might say there are a number of other
20 officers of the League and interested credit
21 unions present this morning. I would specifically
22 mention three of them for the information of
23 the Commissioner: Mr. Stan Stonier, Second
24 Vice-President of the League; Mr. Rod Glen,
25 a Director of the League and Vice-President
26 of the National Association of Canadian Credit
27 Unions; Mr. D.W. Bentley, the Claims Officer
28 of the Credit Union Reserve Board.

29 Mr. A.R. Robinson, Manager of the
30 B.C. Central Credit Union is also here, but he
will be taking part in the presentation of the
brief for that group following the present brief.

One other thing, Mr. Chairman, in
introduction. Mr. Brown was kind enough to draw



1 to my attention that in the copy of the Survey
2 Report, Schedule 3 to the League's brief, there
3 had been what appears to have been a fluke error
4 in the copy he received, on page 65 in the
5 financial section, and if the Commission has
6 not already discovered this I would draw your
7 attention to the index to the Survey which has
8 little dots opposite each of the sections.
9 Unfortunately, the pages are not numbered
10 consecutively all the way through. They are
11 numbered according to sections, and under the
12 grey section is the one dealing with the Financial
13 Report, and in the copy which Mr. Brown received
14 page 65, if I recall, for some reason got printed
15 as page 17. I think it is the only bad egg in
16 the basket, and I was able to provide him with
17 another copy. I trust that there were not any
18 copies of the Survey Report that this happened
19 to.

20 If I might read to the Commission the
21 summary of the brief appearing at the commencement
22 of the brief.

23 --- Mr. McMaster reads summary. (See Volume 3(a)).

24 --- EXHIBIT 6: Brief of the B.C. Credit Union
25 League.

26 MR. McMASTER: I would ask Mr. Monruffet
27 to answer questions of the Commission, Mr. Chairman.

28 THE CHAIRMAN: Thank you Mr. McMaster.

29 COMMISSIONER LEMAN: I wonder, Mr.
30 Chairman, to open up the question period if we
could not talk a bit about the common bond of
association concept and how it can vary from
the small to the large credit unions. Does
it become a bit diffused when credit unions



1 become large?

2 MR. MONRUFET: In answering that
3 question, Mr. Chairman, there is a degree of
4 relativity involved. Certainly, in a small
5 credit union where the group is close knit
6 the common bond of association will be more
7 effective and more noticeable, and in speaking
8 about the common bond this is one of the
9 contributing factors to the unique operation
10 of the credit union, because dealing with only
11 members and people who, by and large, have an
12 opportunity of common association to know one
13 another, the opportunity exists to deal with
14 them more on an individual and personal basis.
15 Certainly, in a large area, particularly in the
16 community credit union, this concept is somewhat
17 weakened as opposed to that in, say, a small
18 parish, a small manufacturing operation or similar
19 type of group. Nevertheless, even in a place such
20 as the city of Vancouver where the members are
21 diffused, they are still members, and the old
22 saying goes, "This is a small world", and even
23 within the confines of the city of Vancouver
24 it is quite possible for the officers and other
25 members of the credit union to find out additional
26 information about those who are their members.
27 So, even on the large scale the common bond
28 plays a very important part in our operations,
29 certainly an extremely important and effective
30 part in the smaller operations. I wonder if that
 answers the question?

 COMMISSIONER LAMMAN: How far do you
 carry the concept, though. What is the minimum



1 factor element to constitute a common bond of
2 association -- merely residence even in a
3 large metropolitan centre?

4 MR. MONRUFET: Well, Mr. Chairman,
5 answering that question, an extreme example would
6 be the largest common bond that we have, say,
7 would be the City of Vancouver. This is still a
8 common bond in our analysis. On the other end
9 of the scale a small group, such as a small
10 church or manufacturing operation such as,
11 for example, Neon Products.

12 MR. BATES: You will find in Schedule 2,
13 sir, a list of the different types of common bond
14 associations. It gives an illustration of the
15 size and so forth -- Schedule 2 in your brief.

16 COMMISSIONER LEMAN: What would be
17 the number of members in the largest credit
18 union that exists in the province now?

19 MR. MONRUFET: 7,000 -- somewhere between
20 7,000 and 8,000.

21 COMMISSIONER LEMAN: What would be
22 the common bond that members would get from, say,
23 a larger credit union?

24 MR. MONRUFET: This is the Vancouver
25 City Savings Credit Union -- residents of the
26 City of Vancouver.

27 THE CHAIRMAN: Any variety of occupations?

28 MR. MONRUFET: Yes sir.

29 THE CHAIRMAN: There is no occupational
30 bond, it is residential?

MR. MONRUFET: It is a residential bond.

THE CHAIRMAN: Is there a union in the
provincial civil service?

MR. MONRUFET: Yes, there is and among



1 the federal employees here.

2 THE CHAIRMAN: Is that widespread in
3 the civil service?

4 MR. MONRUFET: They have a substantial
5 number of members, sir.

6 THE CHAIRMAN: There is also one in
7 the federal civil service?

8 MR. MONRUFET: That is correct. We
9 have provincial civil service in Vancouver and
10 in Victoria.

11 THE CHAIRMAN: They are two separate
12 unions?

13 MR. MONRUFET: Two separate credit
14 unions.

15 COMMISSIONER GIBSON: What would a
16 medium sized credit union be -- 75 or 100?
17 Could you give me some idea of the size?

18 MR. MONRUFET: Of the membership?

19 COMMISSIONER GIBSON: Yes.

20 MR. MONRUFET: Well, they will range
21 anywhere from 50 up to the large number that
22 we have mentioned. I would say medium sized
23 or medium would probably be in the neighbourhood
24 of 200 or 300 members. You see, we have 320
25 credit unions operating in the province. In these
26 we have a total membership of approximately 215,000
27 so this would give you some indication.

28 MR. BATES: Can I add a word there, sir?
29 You will find on page 2 of the Survey there is
30 a breakdown of membership by sizes of credit
unions.

THE CHAIRMAN: What page is that?

MR. BATES: Page 2 of the reference
material, the financial section of the material --



1 the grey tab.

2 COMMISSIONER BROWN: I would like to ask
3 one other question on this City of Vancouver
4 situation. Is just residence in the City of
5 Vancouver the only qualification for membership?

6 MR. MONRUFET: It is membership of
7 residents in the City of Vancouver who are either
8 members of another credit union or not eligible
9 for membership.

10 COMMISSIONER BROWN: Or not eligible?

11 MR. MONRUFET: Yes, it is to serve people
12 who do not come within the common bond of other
13 credit unions or who may already be members
14 of another credit union in the area.

15 COMMISSIONER BROWN: Any citizen of
16 the City of Vancouver can walk in and become a
17 member?

18 MR. MONRUFET: Providing their application
19 is approved by the Board of Governors.

20 THE CHAIRMAN: Could a member of the
21 civil service union in Vancouver become a member
22 of the Vancouver union?

23 MR. MONRUFET: Yes sir.

24 THE CHAIRMAN: And be also a member
25 of the civil service union?

26 MR. MONRUFET: Yes sir.

27 THE CHAIRMAN: So that they could be
28 members of two unions?

29 MR. MONRUFET: Yes, providing they have
30 the membership qualifications they could become
members of more than two.

THE CHAIRMAN: Yes, I suppose it would
not make much difference.

COMMISSIONER BROWN: What does your



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1 application require, what would be the ground
2 for turning an applicant down who is a resident
3 of the City of Vancouver like myself, for example?

4 MR. MONRUFET: I doubt if you would be
5 turned down, sir. I think we would welcome you.
6 I would say that there would have to be some
7 very substantial reason that they could not meet
8 the common bond requirements because I cannot tell
9 you of an example that I know of where a member
has been turned down.

10 COMMISSIONER LEMAN: Flowing from this,
11 just a little bit in the realm of this concept of
12 common bond of association what is your experience
13 as to attendance at general meetings of the
14 credit unions, again contrasting small ones
against large ones?

15 MR. MONRUFET: Generally speaking, sir,
16 we find attendance at our annual meetings, although
17 never coming up to what we would like to see --
18 we find it gratifying and on the average through-
19 out the province from my experience I would say
20 that it exceeds 10 per cent of the credit union
21 membership. Annual meetings during the months
22 of January, February and March each year see a
23 turn-out of our members participating in the
24 operations of the credit unions somewhere between
25,000 to 35,000.

25 In the small credit unions the percentage
26 may turn out larger than in very large credit
27 unions, particularly in the community credit
28 unions where sometimes we will even get 100 per cent
29 or very close to 100 per cent turn-out of the
membership.

30 THE CHAIRMAN: Would you say the larger



1 the union the smaller percentage of turn-out
2 generally?

3 MR. MONRUFET: Relatively speaking
4 this seems to be the case. However, sir, I think
5 a point that should be emphasized here is that
6 by and large when the operations of the credit
7 union are progressing in a manner that is
8 satisfactory to the membership you will find
9 in this case the turn-out will not be as large
10 as if some trouble was to arise and then we would
11 see a substantial turn-out of the membership
12 which would seem to indicate that having confidence
13 in the service has a bearing probably upon not
14 getting such a big turn-out of the membership
15 at your meetings.

16 COMMISSIONER BROWN: You refer to growth
17 there. What have been the facts behind your
18 growth which has been quite considerable year
19 by year?

20 MR. MONRUFET: I think part of the
21 main factor behind our growth, sir, is that
22 the credit unions are quite obviously serving
23 an economic need; also the fact that there
24 seems to be a distinct feeling among those who
25 are members that this is their own organization
26 within their own group they tend to promote
27 membership and also being a satisfied member
28 and realizing he belongs to a red hot organization
29 the tendency is to encourage others to join.

30 COMMISSIONER LEMAN: Your brief explains
how the unions are constituted and the role of
the members as against the managers of the day-to-
day operations. Could you tell us to what
extent the board itself is really managing



1 the business again contrasting between small
2 and large credit unions? Is there a tendency
3 for the officers to really run the business
4 as the unions get larger?

5 MR. MONRUFET: Mr. Chairman, I would
6 answer that in the affirmative, that there is
7 very much of a tendency for the board of the
8 directors to accept their responsibilities.
9 I do not think that this varies from my
10 experience too greatly between the small credit
11 unions as opposed to the large credit unions.
12 In the smaller credit unions you will find that
13 most of them are newer and the officers very
14 keenly feel the growing responsibility of their
15 organization. This is an important factor there.

16 As the credit union becomes larger then,
17 of course, there is an increasing awareness of
18 the heavy responsibility that rests upon these
19 officers to ensure that the credit union operation
20 is carried out according to the law, that is,
21 the Credit Unions Act and in the interest of the
22 membership so far as the safeguarding of their
23 funds and service is concerned.

24 COMMISSIONER LEMAN: Would you have any
25 statistics at all -- if you do not you can answer
26 no -- but do you know to what extent your members
27 are also depositors in chartered banks or do
28 they tend to exclusively put all their savings
29 in the union?

30 MR. MONRUFET: I would say that this would
be an extremely difficult question to answer.
Certainly some members use the credit union
exclusively. On the other hand, I personally
many who use both the services of their credit



1 union and also of the chartered banks but
2 I am sorry we do not have any statistics on this.

3 THE CHAIRMAN: I suppose certainly if
4 a person wanted to borrow for his business he
5 would not likely get the money from a credit
6 union?

7 MR. MONRUFET: That is quite true, sir,
8 that those desiring business loans would go to
9 the bank. We are very limited in this field
10 and we do not encourage the practice.

11 THE CHAIRMAN: And I suppose if the
12 credit union turned him down on a personal
13 application he could go to the bank to see if
14 he had more success?

15 MR. MONRUFET: Yes, and if I may say
16 so, vice versa too.

17 COMMISSIONER BROWN: You mentioned the
18 definite possibility of dual membership. Have
19 you any figures on dual membership?

20 MR. MONRUFET: No sir, we do not have
21 figures on dual membership.

22 COMMISSIONER BROWN: That leads to my
23 second question and that is: If a member of one
24 union applies to borrow money there do you then
25 find out if he has also borrowed from another
26 credit union?

27 MR. MONRUFET: This is actually ---
28 unless he gives the credit union this information
29 voluntarily it would be just as difficult as knowing
30 whether he is borrowing from a bank, a finance
company or buying something on the instalment
plan somewhere. We have to rely upon the
integrity of the applicant.

COMMISSIONER BROWN: You ask for this



1 information?

2 MR. MONRUFET: We certainly do. May
3 I enlarge by saying that one of our considered
4 very important functions is that we endeavour
5 to counsel a member where he will confide in
6 his treasurer or other officer of the credit
7 union. We look upon this as a very important
8 function of the credit union for this reason,
9 that we endeavour to get him to illustrate for
10 us all of his indebtedness so that we can ensure
11 that the loan is going to be of real benefit to
12 him rather than merely getting him possibly further
13 into debt.

14 COMMISSIONER HARROLD: Are there many
15 credit unions operating where there are no banks,
16 in rural areas, for instance, serving a purpose?

17 MR. MONRUFET: Yes, this is so. I
18 could mention a really outstanding example which,
19 of course, does not exist now, but in the case of
20 Lakeview Credit Union at Dawson Creek this
21 credit union started operating before there were
22 any banks in that area and grew to a fair size
23 before a bank found it feasible to open up a
24 branch there. I could give further illustrations.

25 MR. BATES: Schedule 7 gives several
26 illustrations, gives specific examples --
27 Schedule 7 and Item 7 give an illustration of
28 this sort of thing.

29 MR. MONRUFET: I might add, Mr. Chairman,
30 that this would have been true in the early days
of the credit union to find credit unions
operating where there were no banks but now with
the further expansion of the banks in the province
and the movement levelling off in its growth



1 somewhat you won't find this to be so common
2 although there are some isolated instances.

3 COMMISSIONER LEMAN: The trend of growth
4 of the credit unions in British Columbia is quite
5 impressive in the last few years. Have you made
6 studies of what you think the future holds for
7 them as to further growth?

8 MR. MONRUFET: We have not any specific
9 study in this regard. However, such a study
10 is contemplated and just as soon as it can be
11 undertaken it will be made but I cannot give you
12 any forecasts at this particular time.

13 MR. BATES: Might I say that the Survey
14 Report does indicate a levelling off. The growth
15 is there but the rate of growth is definitely
16 levelling off and this, I think, our statistics
17 will show.

18 COMMISSIONER GIBSON: On this subject
19 of growth and the rapidity of your growth in the
20 last decade I wonder if you would care to say
21 a little more about it. You referred to one of
22 the reasons being as the bond of association,
23 the members knew each other and felt they were
24 working together etc. How about the other factors,
25 the rate of return on savings? Do you regard
26 this as a matter of considerable importance in
27 the growth of credit unions?

28 MR. MONRUFET: No sir, I would not regard
29 as one of prime importance because the comparison
30 of the rates of return paid by credit unions is
generally not more than one could get in other
depositories and certainly in some cases
somewhat less than one could get by investing
in certain types of things.



1 COMMISSIONER GIBSON: It is more than
2 you get in a chartered bank, generally speaking?

3 MR. MONRUFET: No, our average would
4 run from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent.

5 COMMISSIONER GIBSON: Does that include
6 dividends?

7 MR. MONRUFET: This is the dividend I
8 am speaking of but the rate of return is, of
9 course, another matter and this would run on
10 the average 10 per cent to 15 per cent. This
11 is a rebate of interest on loans.

12 COMMISSIONER GIBSON: How about the
13 lending feature? This is one of the main attractions
14 and must reasonably affect growth too, the fact
15 that a person can get financial assistance suited
16 to his own individual needs?

17 MR. MONRUFET: I would say that this is
18 a very important factor, sir, yes. It is not,
19 of course, the entire factor but it is important
20 and the fact that the average working person
21 seems to find that they borrow from their credit
22 union probably with a little more understanding
23 than they can somewhere else and further than
24 this at a considerable lower rate of interest
25 even at our maximum interest charges.

26 COMMISSIONER BROWN: Do you find people
27 joining just so they can borrow money?

28 MR. MONRUFET: Yes sir, we do find this.
29 It is not necessarily the major reason why the
30 person joins but we find people look around to find
where they can make a loan. The encouraging thing
is that by far the majority of these people who
join in the first instances to get loans become
good members of the credit union and undertake to



1 save which, of course, is one of the prime
2 objections of the credit union, to encourage
3 saving.

4 THE CHAIRMAN: If a person joins because
5 he wants a loan he has to put up some money,
6 doesn't he? He has to put up something to qualify
7 him for membership. How would that work out?

8 MR. MONRUFET: This is a very interesting
9 point, sir, and I would like to enlarge on it.
10 Firstly, of course, if he is not a member he
11 must become a member, he must pay his initial
12 fee and he must put some money into his share
13 account and his application must be accepted by
14 the credit union. He is then a member. He then
15 is invited in consultation with the treasurer
16 to make out a loan application.

17 Now, remembering that when he is a
18 member of a common bond group, a great many
19 of which are quite close knit groups, he can
20 be dealt with pretty well on the same basis
21 so far as security requirements are concerned
22 as can be a member of long standing in the credit
23 union. However, the members who have been in the
24 credit union for quite a while will naturally
25 get their loan applications approved -- unless
26 it is a matter emergency -- prior to the new
27 member if there happens to be a waiting list but
28 this member can come in and on the basis of his
29 character and what the other members of the
30 credit union know of him, of his behaviour,
can obtain a loan within the terms of the credit
union legislation.

31 COMMISSIONER LEMAN: If I ask any
question that is answered by the material we have



1 I did go through it but I did not have a chance
2 to analyze it as well as I would have liked to
3 but do you have any statistics showing to what
4 extent people remain in credit unions without
5 further borrowing from them as against those who
6 come into the credit union for the purpose of
borrowing from it?

7 MR. MONRUFET: We have, sir, statistics
8 which show the number of borrowers in credit unions
9 at any given time. Those would be upon the basis
10 of the number of loans outstanding and a rather
11 cursory examination of this would indicate that
12 we have approximately five savers to every one
borrower in our credit unions.

13 COMMISSIONER LEMAN: At any given moment?

14 MR. MONRUFET: Yes.

15 COMMISSIONER LEMAN: At any given moment?

16 MR. MONRUFET: Yes.

17 THE CHAIRMAN: There are a great many
18 who would never borrow at all?

19 MR. MONRUFET: This is true.

20 MR. GRAHAM: The tendency is for the
21 same people who are borrowers to be borrowers
22 and to continue to be borrowers, and the other
people to save.

23 COMMISSIONER LEMAN: Mr. Chairman, I
24 thought we might turn a little bit to the question
25 of supervision which is referred to in the brief
26 too. Is there a suggestion from your brief that
27 the League would like more supervision than there
28 exists now and more effective supervision? Could
29 you comment on that -- and where do you think
30 that extra supervision should come from -- government
or yourselves?

I did go through it and I did not have a chance
to analyze it as well as I would have liked to
but do you have any statistics showing to what
extent people remain in credit unions without
further borrowing from them as against those who
come into the credit union for the purpose of
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same people who are borrowers to be borrowers
and to continue to be borrowers, and the other
people to save.

thought we might turn a little bit to the question
of supervision which is referred to in the bill.
Is there a suggestion from your part that
the League would like more supervision than there
exists now and more effective supervision? Could
you comment on that -- and where do you think



1 MR. MONRUFET: Yes sir, I would be quite
2 pleased to comment on this. From the information
3 which we have supplied you will have noted that
4 there has been a complete revision of our credit
5 union legislation in this province in the last
6 year. With the provisions that have been put
7 into this legislation a more onerous task has
8 been placed on the shoulders of our present
9 inspection department. It would be noted --
10 you may not have this information -- but we do
11 at the present time know that the estimates
12 for the operation of this department have not
13 been increased by the provincial government.
14 At the present time there is an inspector and two
15 assistants. The Credit Union League does not
16 consider that this is sufficient to do the job
17 we would like to see being done by the inspection
18 department. The present staff of that department
19 is working diligently in endeavouring to do a
20 satisfactory job. I think it is fairly obvious
21 to us they are somewhat over-burdened with their
22 responsibilities at the present time.

23 Where would we like to see additional
24 supervision come from: The word "supervision"
25 I don't feel quite fits the situation. We certainly
26 would not want to encourage, if I may use the term,
27 "government interference" in the operation of
28 credit unions in the general sense of the word;
29 but, inspection, yes, we feel this is desirable.
30 We feel this can best be achieved in two directions:
One, by sufficient staff in our inspection department
doing an effective job; and secondly, working
in co-operation with the organized credit union
movement in this province.



1 The Commission may be interested to know
2 that we have developed a high degree of co-operation
3 between our B.C. Credit Union League and the
4 inspection department, and we have been told
5 by this department that it is contributing a
6 great deal to the effectiveness of their work
7 in the solving of all problems that might arise.

8 Does that answer your question?

9 COMMISSIONER LEMAN: Not completely in
10 the sense that why would you want it from
11 government instead of organizing it yourselves
12 at the League level or at the Central level --
13 or, you could form your own organization, and
14 I would think you would have confidence you could
15 develop an organization of inspection which would
16 be just as effective as the government.

17 MR. MONRUFET: This is an area where
18 one might get into opinion. Certainly, we feel
19 we understand our operations thoroughly and
20 we feel we could do an effective job in that particular
21 respect. There does come up the question of
22 external versus internal audit. Some question
23 might arise as to whether the best job is
24 performed by doing our own supervision, or whether
25 or not there is some merit in having this inspection
26 done from an outside source such as the provincial
27 government, and I would ask if Mr. McMaster might
28 like to enlarge on this.

29 MR. McMASTER: I think there are two
30 aspects of it with regard to the second matter
that Mr. Monrufet has referred to, and that is
there is a desirability from the standpoint of
the movement itself to have somebody who is
outside of the movement doing the inspection.



1 It is very easy when you are close to an
2 operation to overlook some things you may otherwise
3 observe if you were going at it more objectively.
4 The second thing is that I think there is an
5 interest from the standpoint of the public where
6 you have 215,000 members and \$100 million involved,
7 that the general public does have an interest,
8 and in this respect, therefore, a properly
9 organized and operated government inspection
service has a great deal of merit.

10 I might say, in the brief we did indicate
11 there has been some discussion of the matter
12 with the provincial government and some indications
13 of a re-organization, but the government has not
14 taken us into their confidence as to what they
intend to do.

15 COMMISSIONER LEMAN: That is as to the
16 general aspects of inspection. As the inspection
17 system now works, both government and your own,
18 could you describe it a little bit more precisely?
19 Do they resort to surprise audits and all that
20 sort of common means of effective inspection?

21 MR. MONRUFET: Yes. Rather than answer
22 this question, I think I would like to ask Mr.
Graham, our auditor, to explain this.

23 MR. GRAHAM: Mr. Chairman, there is
24 a supervisory committee elected by the membership
25 for the purpose of auditing their own accounts.
26 That is the case in all credit unions throughout
27 the province. That is sometimes supplemented
28 in many instances by the hiring of an external
29 auditor, and he may take the place of those
30 people or may merely supplement work they are
doing; but, he has his independent opinion to



1 express. One of the recommendations of the
2 survey committee, and we may yet get to it,
3 indicates that the B.C. Credit Union League
4 itself would engage the services of a chartered
5 accountant, which they have done, so that he might give
6 direction to a lot of the supervisory committees
7 so they might accomplish the work. The main thing
8 is that they might be informed. Some of these
9 things are not always evident -- what they should
10 be doing. To that extent, certainly, I would
11 hope that the recommendations along this line
12 will be followed up and these people will get
13 assistance. Supplementing that -- although
14 it is not intended to be an audit, and this point
15 is always made by the inspection department --
16 certainly, their visits are surprise visits.
17 At the time they go in I know they check the
18 cash and see the accounts are in balance, and
19 they look through the reconciliation of the bank,
20 and I know they go through the securities --
21 perhaps not in their completeness -- but they
22 will make a sufficient test check of what work
23 is necessary to be done and satisfy themselves,
24 and on each occasion they make rather a full
25 report to the board of directors for any
26 corrections they feel should take place. To
27 that extent you have the element of a surprise
28 audit. You also have the work of the supervisory
29 committee which can be supplemented by direction
30 from the League, and in many instances, and perhaps
a growing number of instances, the employment
of an external auditor. Does that reasonably
take care of the question?

COMMISSIONER LEMAN: Do you feel in



1 general your inspectors are equipped by
2 competence and experience to detect what I might
3 call incipient trouble or threatening trouble
4 instead of just witnessing actual troubles?

5 MR. MONRUFET: I do not believe this
6 would be a proper question for us to endeavour
7 to answer. This might be a matter of opinion.
8 This certainly could be answered in general by
9 saying in as much as they have been charged with
10 this responsibility by the Attorney General's
11 department one would assume they have been picked
12 with their capabilities in mind, and I do not
13 think it would behoove us to make an opinion on
14 this.

15 COMMISSIONER LEMAN: Perhaps if I put
16 my question differently it may be easier to
17 answer. Have you seen in inspection reports
18 comments by inspectors, either government inspectors
19 or your own, that would prove they pay attention
20 to that aspect of the problem?

21 MR. MONRUFET: I wonder if we might
22 have repeated the aspect; it has slipped my
23 mind.

24 COMMISSIONER LEMAN: The aspect of
25 trying -- an effort to detect threatening trouble,
26 future trouble or incipient trouble.

27 MR. MONRUFET: Yes sir, I can honestly
28 say we have numerous occasions to note this
29 tendency on the part inspectors. I believe they
30 are very vitally concerned with this because
their own work load to a large extent depends on
taking corrective measures. When they go
in and do an inspection, if they run across
practices in the credit union or signs that the

competence and experience to detect what I might call incipient trouble or threatening trouble instead of just witnessing actual trouble?

MR. ROBINETTE: I do not believe this would be a proper question for us to answer. This might be a matter of opinion. This certainly could be answered in general by saying in as much as they have been charged with this responsibility by the necessary Council's department one would expect they have been picked with their capabilities in mind, and I do not think it would behoove us to make an opinion on this.

COMMISSIONER NEWMAN: Perhaps if I put my question differently it may be better to answer. Have you seen in inspection reports comments by inspectors, with government inspectors on your end, that would prove they are restricted to this aspect of the problem?

MR. ROBINETTE: I would say we might have reported the report; it has nothing to

COMMISSIONER NEWMAN: The report of the report -- an effort to detect and report trouble, rather than on the other hand, to report on the fact of trouble. Was that the intention?

MR. ROBINETTE: Yes, sir, I can understand that. I have numerous occasions where I believe in the fact of trouble, I believe they are very very likely to occur, but I believe in their own work and as I said, I have decided in dealing with this matter, I don't say go in and do an inspection, if they are not



1 credit union may be drifting into trouble,
2 they will come into the League office or write
3 and bring it to our attention.

4 COMMISSIONER LEMAN: Does the League
5 have the power to force a credit union to mend
6 its ways if the ways are not considered satisfactory?

7 MR. MONRUFET: We have to appreciate that
8 the League is a voluntary association of credit
9 unions and they belong to it and it is their
10 organization. We do not have any more authority
11 over the credit unions than they care to delegate
12 to us as their own organization. We certainly
13 have moral persuasion. They look to us to keep
14 them on the right track. Our dues income may
15 depend upon the support of these credit unions
16 and they never hesitate to state in no uncertain
17 terms when they run into incorrect operations.
18 I will say to the credit of our member credit
19 unions they seem to appreciate the forthright
20 approach. Certainly, we cannot force them into
21 changing bad practices, but we make no secret
22 of the fact we are working closely with the
23 inspection department. On occasion the inspector
24 will talk with the credit union, and if he finds
25 it desirable will even delegate to us authority
26 to go into that credit union and request its
27 books and examine them. The inspector has this
28 right under the act, and he does and has on
29 occasion delegated to our chartered accountant
30 the authority to go in and do a complete audit.

COMMISSIONER LEMAN: Have you power
of suspension from membership? And, if so,
has it ever been exercised?

MR. MONRUFET: The League certainly has



1 powers of suspending a member of the organization.
2 We have never exercised this. We did have one
3 instance some time back where we refused admission
4 to the League on the part of the credit union,
5 but in the history of the movement this was the
6 only time.

7 COMMISSIONER LEMAN: There are some
8 credit unions not members of the League?

9 MR. MONRUFET: That is correct; there
10 are several.

11 COMMISSIONER LEMAN: Would you care
12 to comment on the possible reasons why they
13 may not be members?

14 MR. MONRUFET: Without intending
15 to be facetious, I might say from the obvious
16 benefits of association in a central organization
17 it is somewhat beyond our comprehension as to
18 why they are not members. But, I am sure they
19 would be able to speak for themselves.

20 COMMISSIONER GIBSON: In this matter
21 of supervision and trying to check undesirable
22 practices, is there any co-operation between the
23 League and the B.C. Central Union? In other
24 words, does the B.C. Central Union take any
25 part in this supervisory function through its
26 lending activities?

27 MR. MONRUFET: Yes sir, we work very
28 closely with our Central Credit Union. We
29 are located close together in the first instance,
30 sharing office space in the Credit Union Building
at the corner of Broadway and Quebec. The
manager of the B.C. Central Credit Union and
myself, as manager of the League, confer frequently,
and if we find any problems with respect to a

powers of suspending a member of the organization.
 We have never exercised this, we did have one
 instance some time back where we refused admission
 to the league on the part of the credit union,
 and in the majority of cases we did not
 only this.

CONSTITUTIONAL I have where we have

credit unions not members of the League.
 Mr. ROBERTSON: There is no reason why
 we should not.

CONSTITUTIONAL I have where we have

no comment on the possible reason why we
 may not be members?

to be practical, I think we should consider
 whether or not we should be a credit union for
 it is somewhat of a problem. I think we should
 try and get some more information. I think we should
 would be able to get some more information.

of supervision and trying to make it as
 practical, in that we are considering a credit
 union and the D.C. credit union. In the
 words, does the D.C. credit union have any
 part in this supervisory function through the
 leading activities?

Mr. ROBERTSON: Yes, they do work very

closely with our Central Union. In
 the interest of the credit union in the Union League,
 having office space in the Credit Union Building,
 at the corner of Broadway and Madison.
 members of the D.C. Central Union and
 myself, we manage to get a good deal of work done.



1 credit union, apart from the inspection department,
2 our B.C. Central is the one that will get this
3 information from us, and vice versa, because we
4 know teamwork is far more effective than trying
5 to solve an important problem on our own, and
6 certainly we do know because Central is loaning
7 to the credit unions and it is of vital interest
8 to them. There is very close co-operation.

9 COMMISSIONER LEMAN: Are there financial
10 limitations to the degree of intensiveness of
11 inspection you would like to see? In other words,
12 has this pushed your budget a little bit?

13 MR. MONRUFET: Is this on the part of the
14 League?

15 COMMISSIONER LEMAN: Yes -- well, let
16 us say on the part of the League: Have you
17 any idea how much is spent on this whole
18 service by the unions themselves and by the
19 League and all together?

20 MR. MONRUFET: Yes, the B.C. credit
21 unions through their League, and providing
22 the various services of the League, have
23 a budget of approximately in the past year
24 \$157,000 which is contributed in the form of
25 dues. It was decided by the credit unions in
26 convention, if my memory serves me correctly,
27 and I believe the budget for the Provincial
28 Government Inspection Department is somewhere
29 in the neighbourhood of \$39,000, and this
30 provides the staff presently employed.

COMMISSIONER MACKINTOSH: Which you
consider inadequate?

MR. MONRUFET: We rather feel there is
an undue load upon that department at the present

credit union, apart from the inspection / personnel,

our B.C. Council in fact one that will not give
information from us, and vice versa. Because we
know teamwork is far more effective than trying
to solve an important problem on our own, and
certainly we do know because Council is learning
to the credit unions and is in the same boat
to them. There is very close co-operation.

limitations to the degree of the individual
inspection you would like to have. In other words
has this raised your budget a little bit?
Mr. ROBERTS: Is this on the part of the

COMMISSIONER BROWN: Yes -- 11, 12, 13.

us say on the part of the Council. Have you
any idea how much in terms of their whole
service by the various themselves and by the
League and all together?

unions through their budget, and providing
the various services of the League, have
a budget of approximately 10 million dollars
\$157,000 which is contributed in the form of
cash. It was decided by the Council and was in
convention, if the League service is not 100%
and I believe the budget for the Executive
Government Inspector Department is around
in the neighborhood of \$25,000, and the



1 time, and I have reason -- well, I won't speak
2 for anybody else: Speaking for ourselves, this
3 is the way we feel.

4 MR. McMASTER: I think it may be
5 commented that there was provision made --
6 two provisions made in the 1961 Act to supplement
7 the government's budget. One provision was for
8 the government to negotiate with the credit
9 union reserve board for a contribution of
10 \$15,000 for the inspection service. The other
11 provision was made at the suggestion of the
12 credit unions themselves that the government might
13 extract a fee from the credit unions for the
14 inspection service of 1/100 of 1 per cent of
15 your assets. The government has so far taken
16 no steps on either of these authorities to seek
17 the financial assistance from the movement.
18 Whether they will do so in their present
19 consideration of the matter I don't know.

20 COMMISSIONER BROWN: This arises because
21 in a great many other financial organizations
22 that are dealing with the public they spend a lot
23 of money themselves on audit and inspection
24 and all the rest of it -- stock exchange, investment
25 dealers association, business -- they put up
26 money for this inspection service.

27 MR. McMASTER: Yes, I think it is
28 partly there, and I think it is a tendency which
29 is likely to develop with regard to public
30 inspection. The credit unions as they grow
will be expected to take some responsibility
for the cost of it. I think the government has
recognized up to the present time that there is
some difference having regard to the nature of



...and I have said that I want to see
 anybody else looking for ourselves, that
 is the way to feel.

--
 concerned that there was provision made for
 two provisions made in the bill for the purpose of
 the Government's budget. One provision was made for
 the Government to negotiate with the private
 union reserve board for a contract on a
 stipend for the purpose of the contract. The other
 provision was made at the suggestion of the
 credit union themselves to the Government to be
 exempted a fee from the credit union. The bill
 inspection service of \$100 of a per cent of
 your assets. The Government will be in a position
 no steps on either of these provisions. I am
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reorganized



1 organization and the size -- the kind of people
2 involved, and the fact they are operating and
3 providing reasonable service , but may have
4 difficulty -- some of them in any event --
5 getting service elsewhere. There has been an
6 inclination on the part of government not to
7 place too heavy a burden. I think the credit
8 unions themselves, however, have expressed some
9 willingness to share some of that financial
10 responsibility in favour of having a stronger
11 inspection service.

12 COMMISSIONER LEMAN: In paragraph 42
13 of your submission there is a reference to the
14 use of the word "weak" in relation to 4 per cent
15 of the member unions. I think the rest of the
16 paragraph gives a hint as to what you mean by
17 "weak", but it wasn't too clear in my mind.
18 Would you care to expand on what you mean
19 by "weak"? What are the weakness factors?

20 MR. MONRUFET: We might explain on
21 this thing the term "weak" would cover a number
22 of factors. However, bearing in mind that the
23 new credit union legislation provides for a new
24 and rather stringent measure of delinquency
25 in the credit union; we have found that some
26 of our credit unions are having a problem in
27 adjusting to it. This has crystallized out
28 of this legislation and has put before us in a
29 group, collectively, about a 4 per cent problem,
30 I estimate, more than we have had before because
prior to the legislation sure we have had credit
unions that had to be helped with this, that
and the other thing but they have come to us
one at a time and been serviced and this has

organization and the fact -- the kind of people
involved, and the fact they are providing and
providing responsible service, but may have
difficulty -- some of them in any event --
getting service elsewhere. When it comes to
inclination on the part of our members not to
place too heavy a burden. I think the service

willingness to share some of that burden
responsibility in favour of having a stronger

"CONSTITUTIONAL PRINCIPLE" in paragraph 2
of your submission there is a reference to the
use of the word "weak" in relation to the
of the member unions. I believe that the
paragraph gives a hint as to what you mean
"weak", and it seems to me that you mean
Would you care to explain that more fully?

MR. KENNEDY: We will, if I may.
and, using the word "weak" with regard to the
of reason. However, bearing in mind the fact
new credit union has been provided for a new
and rather strong in terms of efficiency
in the credit union movement, and that we
of our credit union movement, and that we
adjusting to the fact that the credit union
of this legislation and the fact that the
group, collectively, that is a part of credit
I believe, that we have had a long time
prior to the introduction of the new credit
unions that we have had a long time



1 been it. The new legislation has crystallized
2 beforehand routine problems of the credit unions
3 particularly in respect of delinquency and this
4 is what is indicated here. I think this would
5 be mainly the problem.

6 COMMISSIONER LEMAN: Well, delinquency
7 and anything else -- liquidity and that sort of
8 thing also?

9 MR. MONRUFET: To a very minor degree
10 may be liquidity in isolated instances but
11 the problem here is one of adjusting to the
12 new provisions of the legislation and side
13 things apart from the new measurement for
14 delinquency, the number of problems with respect
15 to functioning of committees, boards of directors.

16 COMMISSIONER LEMAN: Management?

17 MR. MONRUFET: Management, this type
18 of thing.

19 COMMISSIONER LEMAN: Well, Mr. Monrufet,
20 presumably since the League seems to welcome
21 these new requirements and changes in the
22 legislation the weakness does not come from
23 the fact that the legislation existed; the
24 weaknesses were there before?

25 MR. MONRUFETA: That is correct.

26 COMMISSIONER LEMAN: It just highlights it?

27 MR. MONRUFET: Yes.

28 COMMISSIONER BROWN: Is a pattern in
29 this? Is it in just small ones or just large
30 ones or just those with a certain common bond
or is it general?

MR. MONRUFET: In my personal opinion
I would say that there is not any particular
pattern to it. I would like to ask our auditor



1 if he would care to enlarge on this.

2 MR. GRAHAM: I do not think, Mr.
3 Chairman, that there is any pattern to it. I
4 can think of one or two instances of fairly large
5 credit unions where this situation is there; in
6 other words, we recognize now that the amount of
7 loans in default is something they have to give
8 serious attention to. I also find it occasionally
in many of the smaller credit unions.

9 A question was asked a moment ago in
10 connection with liquidity. Liquidity largely
11 is not our problem when we speak of particular
12 credit unions because in most instances these
13 credit unions have need to borrow a certain
14 amount of the liquidity they have then becomes
15 the problem to B.C. Central and it is one they
16 are very conscious of and they make sure before
17 anyone becomes eligible for borrowing that the
18 requirements of liquidity have been fully taken
19 into account; otherwise there is no borrowing
20 allowed. So we have, from the liquidity angle,
we have Central in fact overseeing that. But
this still is a new problem with us there.

21 I think perhaps the survey committee
22 in this instance introduced this measure.
23 They adopted it from the Canadian Credits Act
24 and in this respect two things, I think, were
25 accomplished. One was moving the line in respect
26 of loans and also it was to urge a stronger
27 position also with the collection of accounts.

28 THE CHAIRMAN: Could you tell us something
29 about the deposit business that is being done by
30 unions? You have mentioned that in your brief
that you had a certain amount of deposit business



1 and that it is increasing and I would like you
2 to expand on that a little bit. I think it would
3 be of some interest to us and in view also of the
4 liquidity background accentuation. If your
5 deposit business is increasing very rapidly
6 no doubt you have to make sure that your liquidity
7 is perhaps greater than it would be otherwise?

8 MR. MONRUFET: With your permission,
9 Mr. Chairman, I will just touch on this. This
10 will be very thoroughly covered in the brief
11 which is to be presented to you by our British
12 Columbia Central Credit Union I believe today.
13 So if we might defer it until then other than
14 to say that the reserve requirements on deposit
15 accounts are 25 per cent which is substantially
16 more than are required on share capital accounts.

17 THE CHAIRMAN: If we are going into
18 that a little more fully at a later date we might
19 leave that now.

20 COMMISSIONER LEMAN: May I ask a general
21 question about it? To what extent is there much
22 difference between share ownership and deposits
23 as to ability to withdraw on short notice?

24 MR. MONTRUFET: There is not a marked
25 difference with respect to this. The terms of
26 the British Columbia Credit Unions Act set forth,
27 of course, the difference between so-called
28 shares and deposits of credit unions. As was
29 mentioned previously there is an 8 per cent
30 reserve requirement against the share account
of the member and a 25 per cent cash reserve
requirement with respect to deposits to make sure
that they are readily available to the members
on demand.



1 While it is not a policy it has been
2 the practice that members have to look upon all
3 their funds in the credit union as being pretty
4 readily withdrawable because by and large I think
5 a member only has to come into the credit union
6 office, make out a withdrawal slip and they have
7 it. This has been our experience.

8 THE CHAIRMAN: No delay at all?

9 MR. McMASTER: I think it would be fair
10 to say, Mr. Chairman, that in some trust companies
11 where they have found because of difficulties
12 that have arisen that their situation is tight,
13 that there has been a willingness on the part
14 of the members to recognize that there must be
15 some restraint on the withdrawal of funds and
16 in those cases while very rarely in my experience
17 has the provision which is in the Act, that is,
18 that the board can actually freeze withdrawals
19 or the inspector can freeze withdrawals --
20 rarely is that authority necessary to use.
21 Generally speaking the group as a whole recognize
22 that it is their credit union and if it is going
23 to continue to function some self-discipline
24 is necessary and some arrangement is made among
25 themselves to withhold withdrawals.

26 THE CHAIRMAN: There is some arrangement
27 to freeze withdrawals?

28 MR. McMASTER: Oh yes.

29 THE CHAIRMAN: So a person cannot make
30 a claim for a withdrawal and expect to have that
claim granted immediately?

 MR. McMASTER: There is both a provision
for freezing the withdrawals and for freezing
the deposits. I think the withholding of deposit



1 money must be more stringent if the money
2 is tight than .

3 THE CHAIRMAN: Well, perhaps that will
4 bedeaft with later on.

5 MR. MONRUFET: It may interest you
6 to know what the provisions of the credit union
7 Act really are.

8 MR. BATES: In the case of deposits
9 and withdrawals -- this is in Schedule 2, Rule 27,
10 which says that the monies on deposit are totally
11 at the option of the credit union not sooner
12 than 30 days after demand unless the credit
13 union exercised the option and this could be
14 extended by the inspector.

15 COMMISSIONER GIBSON: Mr. Monrufet you
16 spoke of a 25 per cent cash reserve. You mean
17 deposits with the Central Union, not other liquid
18 forms -- you did not mean cash, did you?

19 MR. MONRUFET: No, certainly not --
20 on deposit and available for withdrawal.

21 COMMISSIONER GIBSON: That would all be
22 on deposit with the --

23 MR. MONRUFET: ... the British Columbia
24 Central Credit Union, yes.

25 COMMISSIONER BROWN: The 25 per cent?

26 MR. MONRUFETA: Yes.

27 COMMISSIONER GIBSON: This is against
28 deposits only, not shares?

29 MR. MONRUFET: There would be 8 per cent
30 there with respect to shares also.

COMMISSIONER BROWN: Let us use the term
"checking privileges" in your connotation
because it is an easier term to use. Do checking
privileges apply only against deposits?



1 MR. MONRUFET: That is correct, only
2 deposit accounts.

3 COMMISSIONER BROWN: Has there been
4 any experience or proof to indicate that where
5 checking privileges are permitted this has a
6 tendency to increase deposits rather than share
capital?

7 MR. MONRUFET: We have an instance.
8 I think it has a tendency to increase with the
9 participation in the credit union. From my
10 observations I feel that it has somewhat increased
11 shares because of the general increased participation
12 but by and large it does provide a certain amount
13 of extra funds for the credit union because of
14 these deposit accounts and the requirement that there
15 be loans there in the first place and consequently
16 that there is a residue of a person's deposit
money in there at all times as will be recognized.

17 THE CHAIRMAN: I think this is about an
18 appropriate time for adjournment. We will adjourn
19 for 15 minutes.

20 --- Short Recess.

21 THE CHAIRMAN: I will now call the
22 meeting to order.

23 COMMISSIONER BROWN: Mr. Chairman, I
24 would like to ask one question of Mr. Monrufet
25 and that is on the Credit Union Reserve Board,
26 I wonder if you could give us a description
27 of that and how it operates and particularly
28 have they got any powers that would enable them
to prevent as well as to underwrite loans?

29 MR. MONRUFET: Well, Mr. Chairman, we
30 will be very pleased to give you the information
on the provincial reserve board. I would refer



1 you to first of all the Credit Union Act of
2 British Columbia in which the terms of reference
3 of that Board are set forth.

4 Secondly, so far as the powers of the
5 Credit Union Reserve Board are concerned they
6 are somewhat narrower at this time than the
7 credit union movement had hoped that they might
8 be. They are a little broader than they were
9 when the legislation was first introduced. The
10 credit unions asked for it to be on a certain
11 basis. Because it was new legislation, because
12 the government felt it should have a little
13 experience with it, they were inclined to tighten
14 up on the area where the Board had the option
15 to give assistance.

16 Last year we approached the government
17 when the Act was revised and we did get some
18 broadening of terms. When I say "we" I am
19 not now talking about the organization working
20 in co-operation with the Board members of the
21 Reserve Board itself.

22 Section 78, if you are looking for it
23 in the Credit Union Act. We feel that there is
24 still some revision needed here with respect
25 to the powers of that Board. If the Commission
26 would find it of interest and value we would
27 be pleased to file with you as a separate
28 exhibit the original proposals for the reserve
29 board legislation as put forward by the
30 credit union movement in the province of
British Columbia which maybe would give you
a good indication of what we had in mind when
the legislation was enacted.

Also, Mr. Chairman, I believe a point



1 which would be of particular interest to the
2 Commission is that the Credit Union Reserve
3 Board and the attendant legislation for the
4 fund was instigated at the request of the
5 credit unions in the province of British Columbia
6 which I hoped might demonstrate to a degree
7 at least the responsible attitude that the
8 movement wishes to take in governing its own
9 affairs.

10 COMMISSIONER BROWN: Yes, I think it
11 would be very useful if we did have that additional
12 information.

13 MR. MONRUFET: If you would like us
14 to file it then we would be very pleased to do so.

15 COMMISSIONER MACKINTOSH: I would like
16 to ask one or two general questions, Mr. Chairman.
17 It is a little difficult to bring together
18 all the information in these various supplements
19 and the papers filed with them. I wonder how
20 those concerned with the credit unions see the
21 trends developing. In this sort of self-help
22 co-operative organization I would suppose that
23 there were two different lines. At present they
24 seem to be developing more and more towards
25 banking institutions with a business in short
26 term, you might call, household loans. The other
27 direction would be a development more towards
28 the pattern of a sort of building society. These
29 are the two aims of what you might call family
30 financing as against business financing. Now,
further development towards what I call "the
bank end" of this alternative raises more and
more the question of to what extent these are
purely loan operations and to what extent they



1 are banking operations. I wonder if you would
2 care to say anything about how you see the
3 future developing.

4 MR. MONRUFET: We would not mind making
5 some observations on that, Mr. Chairman. From
6 my own experience and observations I would say
7 that there is not any noticeable trend away
8 from the job that the credit unions have been
9 doing over the past number of years. This is
10 a little difficult for me to explain precisely
11 what might be meant by a "trend into banking
12 operations" unless one might consider this
13 area of a trend towards mortgage business, loans
14 and this type of thing.

15 We have stated in our brief that the
16 movement itself is not generally inclined towards
17 business loans. We are not geared up for this
18 type of loan. The officials of our credit unions
19 being drawn from a cross section of the average
20 people do not fundamentally have training in the
21 area of business loans so we discourage this but
22 in some instances it could be quite justifiable.

23 On the other side of the ledger there
24 is a tremendously large field yet to be served
25 in consumer credit -- household goods of
26 various types, purchasing of automobiles and
27 all this type of thing. Even with the advent
28 of the banks more actively into this field we
29 have not noticed any appearance in any of the
30 credit unions of a wish for room in which to
operate. We find in areas where we have a
substantial number of credit unions that finance
companies there too flourish. I am quite confident
banks get a full share of the business which they



1 seek in this area and yet our credit unions
2 continue to expand in that area.

3 I am sorry if I have to be a little vague
4 in this but it is an area of opinion and I do not
5 believe that we can say that there is a trend
6 away from the concept of the usual function of
7 the credit union organization in this area.

8 COMMISSIONER MACKINTOSH: I was not
9 suggesting that and I am not concerned about
10 the banks -- they look after themselves fairly
11 well -- but I had gathered from reading the
12 submissions that there was a definite trend
13 towards checking accounts, and much more
14 movement of your savings than there perhaps
15 had been earlier. May I direct the question a
16 little differently then? Is there observable
17 any increased activity on the other end of the
18 household -- providing for house financing where
19 down payments on houses are taking the place of
20 second mortgages?

21 MR. MONRUFET: Mr. Chairman, I believe
22 some very interesting information here can be
23 derived from a check which we recently made
24 of loaning trends in credit unions in this
25 province, and which we have filed as one of
26 the appendices to this particular brief, which
27 was taken quite currently, and in this respect
28 I would like to refer to Mr. Bates.

29 MR. BATES: Maybe one significant
30 point: The table in the survey report in 1957
is at page 31, and the comparative table taken
two or three months ago is in Schedule 15 of
our brief, and the question of real estate
was mentioned, and looking at these I see



1 in the classification of credit unions over
2 \$500,000 the percentage is 48 per cent, whereas
3 today it is 47 per cent. Therefore, in three
4 years it does not seem to have risen in that
5 particular area. There is a complete breakdown
6 there of loans and consolidation of debt and
7 so on, and it does not indicate this tendency
8 to go into this area.

9 MR. McMASTER: Mr. Chairman, with
10 regard to the Survey Report there is a comment
11 with regard to this, and the general finding
12 is that in the smaller credit unions the type
13 of loans tend to be the small short-term
14 consolidation of debt. In the larger unions,
15 where you have a larger pool of funds, they tend
16 to meet this need of the members in the first
17 instance, but would tend to get more into home
18 improvement and short-term mortgages and this
19 type of thing. One of the things indicated
20 by the Survey Report is that if the credit
21 unions are going to get into longer term
22 mortgages, if this is a field in which they
23 may develop, it will be necessary for them to
24 devise means of getting more permanent investment
25 in the way of term deposits, or in some way that
26 would assure that you can have a balance of
27 liquidity, and your turn-over in investment
28 will bear some relationship to the turn-over in
29 the mortgage needs.

30 MR. BATES: Perhaps I gave the wrong
impression: I have the classification of
\$500,000 and \$1 million together. What I should
have said was the average in 1957 was 24 and
in 1960 it is 23½.



1 THE CHAIRMAN: What page is that?

2 MR. BATES: This is page 31 of the Survey,
3 Table 6. It is Schedule 15 as far as the brief
4 is concerned.

5 COMMISSIONER MACKINTOSH: I don't know
6 whether this is a question you want to leave for
7 this afternoon's brief or not: The whole question
8 of the liquidity of the credit unions is, I would
9 think, closely related to your rate of growth,
10 and that the problem will change somewhat if your
11 own prediction is that the rate of growth flattens
12 out. I would gather from what you have already
13 said that the different percentage reserve
14 requirements for share and deposit does not
15 really closely correspond to the facts in that
16 while legally the share proceeds are behind deposits,
17 in fact they are treated very much as if they were
18 demand deposits -- perhaps you would rather leave
19 that.

20 MR. MONRUFET: Mr. Chairman, I believe
21 there may be some value in the League expressing
22 some views on this. True, this has a great bearing
23 on B.C. Central Credit Union also, and I know they
24 will desire to make some comment thereon. We
25 have with us this morning a man who is well
26 qualified to give you some additional information
27 on it, and I refer to the auditor and financial
28 advisor, Mr. Graham.

29 MR. GRAHAM: This matter of liquidity --
30 there are several facets to it. Certainly, you
31 have discussed now the matter of the levelling
32 out of shares, that is, in the rate of growth.
33 By the same token, of course, that as funds from
34 this source tend to level off, certainly the cure



1 then lies in reducing the amount you are going
2 to lend. In other words, it will reduce the
3 amount of your lending funds. I think we have
4 to perhaps make one change in our thinking,
5 that although the comment was made this morning,
6 and it somewhat disturbed me without being
7 amplified further, that shares are withdrawable
8 in effect on demand the same as deposits, and
9 perhaps you might not distinguish them, may I
10 say that the fact of the matter is these things
11 are highly distinguishable, and perhaps for
12 several reasons. In the matter of shares we
13 must remember we carry on shares the matter
14 of insurance, and that matter of insurance is
15 a deterrent as far as people are concerned to
16 the withdrawal of their shares. In other words,
17 all members of the B.C. Credit Union League
18 are insured either with the C.A.N.U.
19 Insurance Company or the Co-operative Life
20 Insurance of Canada, and an amount of insurance
21 equal to the amount of the share on deposit is
22 covered so that in the event of death you re-
23 cover not only your share but you recover an
24 equal amount of your insurance. I think you have
25 to recognize this difference, because certainly
26 in some of the tables that you brought out in
27 the Survey Report you will find that of the
28 amount of shares that the total credit unions
29 have in British Columbia at the beginning of the
30 year plus the amount of shares received during
the year, that the total amount which was with-
drawn during the year would not exceed roughly
20 per cent of the total which had been put
on deposit, and it is only -- perhaps, you



1 mentioned savings and loans, and I understand
2 that there are even restrictions with those
3 organizations: The fact is one can apply to them
4 and get the money out, but that doesn't necessarily
5 mean they do apply to take the money out, and
6 I would like to distinguish that.

7 You will later -- and I merely make
8 this observation -- be going to other provinces
9 and you will be seeing other credit unions,
10 and certainly the question was put to me a
11 while ago, "Why is it that the amount of your
12 liquidity here changes from province to province",
13 and I could not help but note in one of the
14 provinces -- and it was a publication put out
15 by their government -- that out of some \$2 billion
16 received during the year as a matter of cash
17 receipts some \$1,700,000,000 had been in the
18 form of deposits, and of that amount some
19 \$1,600,000,000 had been withdrawn. On permanent
20 deposit there has been a turnover of 80 per cent
21 on that part of their savings, and it constitutes
22 a large part of their savings. Not so in
23 British Columbia. The bulk in British Columbia --
24 I am merely here speaking of the different
25 thinking having regard to the difference in
26 the amount of liquidity the two groups keep --
27 that in British Columbia the savings are in the
28 form of shares, and although some comments have
29 been made in connection with deposits may I
30 assure you from the figures that are here the
relative amount of deposits or shares is a
small amount. We recognize there is greater
activity; in fact, sometimes it doesn't represent
any more than a man putting his pay cheque in



1 and checking throughout the month on that, and
2 yet we recognize there is an over-all retention
3 of savings, and some of that retention of savings
4 we are trying to encourage. We are trying to
5 get the people where they haven't got automatic
6 payroll deductions for savings, that they might
7 put their cheque in and have so much put to
8 their shares to encourage the savings feature,
9 and withdraw whatever they need for their household
10 requirements during the month. It is only, as
11 far as our members are concerned, that additional
12 inducement to save money. I would caution you
13 not to regard them all the same, and to recognize
14 the different components as far as liquidity is
15 concerned. In British Columbia may I suggest
16 our Survey points out that even though half our
17 cash liquidity having regard to credit unions
18 themselves -- the locals -- into the Central
19 has taken a form of a term deposit, and from
20 my experience in dealing with B.C. Central
21 up until this year when there was a change in
22 the conception of this, I don't think I can
23 remember seeing a single withdrawal from term
24 deposits. In other words, that amount of liquidity
25 required them to get along with half the liquidity
26 prescribed by the Act. Notwithstanding that,
27 you appreciate when the new act did come in,
28 because we see a flattening out, it will have
29 the reservation of 8 per cent in that if need be --
30 it can go up to 12. Let us consider all the
components of liquidity -- especially when borrowing
again -- and I have only knowledge of B.C.:
Let us recognize, according to the Survey Report
85 per cent of the loans made by credit unions



1 are received back in the form of payment within
2 a period of two years. That is a high degree
3 of liquidity. Some 40 to 50 per cent comes
4 back in the first year. When we come to Central
5 you will find there is a much bigger percentage
6 comes back. The whole conception in Central,
7 and to a certain degree in others, is short-term
8 credit. As Mr. McMaster stated, if we are going
9 to get away from that we will have to consider
10 the means of bringing in money which will sit
11 for a longer period of time, but bear in mind,
12 that savings are insured and deposits generally
13 are not. They appeal to different people. Quite
14 a lot of people have money in there for that reason.

15 Mr. Mercure pointed out a short while
16 ago in connection with one of these tables what
17 evidently appears to be an inadequacy as far
18 as reserves are concerned. I didn't notice it,
19 and I had nothing to do with its preparation,
20 but I notice, unfortunately, included in both
21 shares and loans has been this figure of
22 endowment contracts. May I briefly define what
23 an endowment contract is. Because of the insurance
24 feature and in order to encourage regular savings
25 by the members of credit unions, we conceived
26 a contract whereby over a period of 15 years
27 a member would undertake to save \$2,000. In the
28 first instance he would take an interest-free
29 loan of \$2,000 credited to his share account.
30 Now, because of the insurance feature we have
the shares insured, we have the unpaid balance
of the loan insured, so in the event of death
during the period this money is being saved
the unpaid balance of the loan will be paid off.



1 The \$2,000 which are in the savings as the proceeds
2 of the loan are insured for \$2,000, so that the
3 member then has -- his estate has \$4,000. They
4 represent quite a large item, and as such on
5 the one hand you have loans given in consideration
6 of the subscription for shares and, as I say,
7 unfortunately in this particular table which
8 is given to you they show as loans and they show
9 as shares. So that, for that reason when we
10 look at liquidity we find some distortion in
11 that particular figure. There are better figures
12 available from other points and better figures
13 available in the Survey Report, and I would sooner
14 you refer to the Survey Report where that aspect
15 has been eliminated, and we refer to the matter
16 in that concept.

15 COMMISSIONER GIBSON: Could you give
16 us any break-down of the rate of turn-over of
17 your shares and deposits as distinguished from
18 each other? You make the point very strongly
19 that the shares don't turn over quickly.

20 MR. GRAHAM: Shares will turn over,
21 as I say, at the rate of roughly 20 to 22 per cent.

22 COMMISSIONER GIBSON: That is one-fifth
23 of them will turn over per year?

24 MR. GRAHAM: Yes, and that one-fifth
25 is measured in respect of the opening balance
26 plus receipts. Someone might challenge that
27 and say some of the withdrawals and what came
28 in at the opening of the year -- well, I don't
29 quite know how to break that amount down, but
30 by relating only the changes -- maybe this is
an important thing, and that is set out in
some detail in the Survey Report at page 61,



1 where we are dealing in connection with that
2 matter, and you will find there is a variation,
3 and you will see the changes which have taken
4 place during the time credit unions have operated
5 in British Columbia.

6 COMMISSIONER GIBSON: Have you a similar
7 figure for deposits?

8 MR. GRAHAM: Unfortunately no. The
9 amount of deposits -- may you look at page 62
10 to give you some idea with regard to the deposits,
11 the relative position of deposits. You will find
12 that in that Table No. 30 on page 62 we have
13 taken the increase in each year so that when
14 you take the total of the increases you find the
15 balance sheet position at the end of the year
16 so that at the end of the year, speaking of
17 1958, we find total savings at that time in
18 members' shares were \$63,655,000, dividends
19 \$3,666,000 which leaves one-twentieth the
20 amount of deposits to shares in the credit union
21 at the end of 1958.

22 COMMISSIONER LEMAN: That is the relation
23 between the two: It does not indicate turn-over?

24 MR. GRAHAM: No, except as far as we
25 are concerned we anticipate the turn-over is
26 very sharp. In other words, we do not encourage
27 people to put money into deposits because the
28 rate of return is less, there is no insurance
29 and except that there are going to be funds
30 that they need for the meeting of their current
bills there is no purpose in putting money in
their deposit accounts. So you do not find
deposits in there. That is a more transitory
figure you find there.



1 THE CHAIRMAN: The increase in deposits --

2 MR. GRAHAM: We have shown merely the
3 increase each year so that the total increases
4 at the end represent the total amount outstanding
5 at the end of the period. So that the figure
6 \$1,215,000 at the end of 1958 is merely an
7 increase from the previous year and that is
8 the net between receipts and disbursements.

9 THE CHAIRMAN: Well, those figures
10 in that column --

11 MR. GRAHAM: ... are the net increases
12 from year to year, that is right.

13 MR. McMASTER: It would not show the
14 turn-over though, Mr. Chairman.

15 MR. GRAHAM: It merely shows the
16 net difference between what has been received
17 and what has been disbursed or withdrawn during
18 the year.

19 COMMISSIONER GIBSON: Mr. Chairman, I
20 would like to ask a question about the responsive-
21 ness of the credit unions to credit conditions.
22 Are they fairly responsive in their lending
23 activities to changes in credit conditions?
24 From the brief I gather the impression that
25 when the British Columbia Central found it
26 necessary to send a letter around suggesting
27 some tightening up in response to tighter money
28 there was a suggestion that this would lead to
29 a somewhat tighter activity on the part of the
30 credit unions themselves. Does this in fact happen?
Do the credit unions respond to changes in credit
conditions very much?

MR. MONRUFET: Well, Mr. Chairman, this
will be covered in two areas, first a personal



1 comment. From my own observation of credit
2 union operations in this area I would say that
3 they tend to be very responsive to suggestions
4 in this field and this I can say from some
5 experience. In the brief that will be presented
6 by our British Columbia Central Credit Union
7 this will be enlarged on further and I am sure
8 they can give you very adequate information
9 relative thereto. Then again, realizing that
10 it is probably a particularly interesting and
11 important question to the Commission it will
12 again be dealt with in the national briefs
13 that will be presented by the Canadian Co-operative
14 Credit Society and the National Association of
15 Canadian Credit Unions. I wonder if that would
16 suffice for the purpose on our part.

17 COMMISSIONER GIBSON: What I was hoping
18 for was your reaction regarding the credit unions --
19 not what the Central people do. They have a
20 policy and it is your reaction to that policy.
21 Put a little more specifically when the credit
22 unions and individual unions are borrowing from
23 Central are there inclinations to tighten up
24 in their lending activities or do their lending
25 activities stay about the same, or what?

26 MR. MONRUFET: Well, Mr. Chairman, as I
27 said this will be dealt with to some extent in
28 the brief of the British Columbia Central this
29 afternoon but I am prepared to comment on the
30 basis of the movement through our League and
my answer would be very definitely that the
credit unions have proved to be responsive in
this respect.

MR. McMASTER: I think I may say --



1 anticipating British Columbia Central's brief --
2 that Mr. Robinson who is in close touch ^{with the} day-to-day
3 economic operations of the credit unions will
4 be able to perhaps answer Mr. Gibson's question
5 much more fully than Mr. Monrufet might be
6 able to from general observation.

7 COMMISSIONER MACKINTOSH: I would have
8 thought if you had a period of what ordinary
9 people like myself and the members of the credit
10 unions call by name but others do not always --
11 I would have thought you would have an increase
12 in applications in the credit unions, other
13 sources being difficult to get money out of?

14 MR. McMASTER: I do not want to anticipate
15 what I think Mr. Robinson will say but I think
16 this will be true, that there are an increase
17 in applications but I think he will be able
18 to tell you that notwithstanding that increase
19 there is a resistance to it on the part of the
20 credit unions which reflects itself at the
21 particular time Mr. Gibson referred to but
22 I think Robinson can enlarge on that when we
23 deal with Central's brief.

24 COMMISSIONER BROWN: Along the same
25 lines in such circumstances do you find a slowing
26 down in the movement of loans?

27 MR. MONRUFET: This could be true, yes,
28 depending upon employment conditions. This is
29 rather closely related, I would say, to the
30 employment situation in the province and in
certain times when employment is not too good
very definitely there is a tendency for a
slow-down in that respect. I would not say
markedly so but it does reflect.



1 COMMISSIONER HARROLD: Would you have
2 any figures to show whether your loans went up
3 in the period that there was some tightening
4 of credit or money in 1959 or 1960 or whether
5 loans went up or down?

6 MR. McMASTER: I think that will appear
7 with respect to Central's brief. We might mention
8 on this subject that we will be sure it is
9 covered this afternoon, Mr. Chairman.

10 THE CHAIRMAN: Well, notice in the
11 deposit column on page 62 that you referred
12 to that the balances seemed to be quite erratic
13 in amount. You start at 1950 at the increase
14 in deposits with \$100,000, \$230,000, \$418,000,
15 \$180,858 all of a sudden, then \$125,000, then
16 \$749,000 and then minus \$57,000 and then \$215,000.
17 I do not know what that indicates if anything
18 but it is interesting to notice.

19 MR. MONRUFET: I would like to refer
20 this to Mr. Graham. I am sure he has an observation
21 on this.

22 MR. GRAHAM: Mr. Chairman, I have not
23 particularly given thought to that but I do
24 not think it suggests too much. Perhaps if
25 I were to look back in the report I might find
26 that two or three different credit unions came
27 into checking in 1954. Other than that it is
28 a steady increase throughout the whole period.
29 You see to begin with which is the inception
30 of it with \$6,000 odd deposit which would
indicate perhaps one credit union.

THE CHAIRMAN: Oh yes, I see.

MR. GRAHAM: So that I do not think it
has any particular significance except an expansion



1 of it which again seems to level off later in
2 1958. With the exception of 1957 there was
3 a large increase in that particular type of
4 activity.

5 COMMISSIONER BROWN: 1957's figures
6 in savings coincides with a large increase in
7 loans.

8 MR. GRAHAM: Yes, but I do not think
9 that has any significance as such. In other words,
10 the loans themselves -- I do not expect 1957 --
11 just thinking of 1957 I think if we go back in
12 1957 perhaps some of the other information indicated
13 a tighter money period at that time. I am not
14 too well aware whether 1957 was a tighter money
15 period but the only man, I think, who commented
16 on it was Dr. John Croteau who writes a great deal
17 of credit union works in the States and I notice
18 around that same time he made a survey of some
19 of these largest year-to-year fluctuations for
20 all the credit unions in the States and it
21 was rather strange that he came out with saying
22 the same thing that we are now and that is that
23 it was almost as if you were the car financing
24 people and people changed their cars every two
25 years because 1955, 1957 and 1959 would tend
26 to show that but you would have to take a longer
27 period of time to see if there was a pattern
28 there but during the 10 years he looked at there
29 seemed to be a pattern and in fact it fitted
30 in with some of our findings here and I think
some of the technical people commented on this
two-year cycle. I am not going to pretend for
a minute I have any knowledge of the two-year
cycle as such.



1 MR. McMASTER: I think it should be
2 observed that while there was a decrease in
3 net deposits there was an increase in savings
4 on the shares in the year of 1957. It is just
5 the deposit figure that dropped off.

6 COMMISSIONER BROWN: What I was trying
7 to get at was that in 1957 you see this coincides
8 with a net withdrawal of savings plus a very
9 large increase in loans which were repaid the
10 following year because there is a net figure
11 in the following year.

12 MR. GRAHAM: You appreciate that all
13 1957 did was arrest the increase. The \$57,000
14 only means that during the year there was not
15 an increase over the previous year, there was
16 a net reduction of \$57,000 and in the same year
17 there was an increase of savings of some \$9 million
18 in that particular year.

19 COMMISSIONER BROWN: Yes.

20 COMMISSIONER LEMAN: In your brief,
21 paragraph 17, you refer to the intention that:

22 "Reserves may be increased
23 to 12 per cent in times of adversity".
24 Is it not difficult to increase your reserves
25 in times of adversity according to what you would
26 call adversity? What are the adverse circumstances
27 you outline that would cause you to move in that
28 direction and how easy would it be to move in
29 that direction?

30 MR. MONRUFET: Mr. Chairman, I believe
that Mr. Graham would probably like to expand
on my observations of these provisions in the
credit union's legislation and it could be
applied by the provincial government if in their



1 opinion they deemed the liquidity position of
2 a credit union under given circumstances was
3 not adequate. I mean, the machinery is there
4 for it to be applied and I suggest that it could
5 be applied without the option of the credit union.

6 THE CHAIRMAN: This is the freezing
7 of the loans?

8 MR. MONRUFET: No, the increase in the
9 requirements of reserves to 12 per cent.

10 THE CHAIRMAN: Oh, I see.

11 MR. MONRUFET: Mr. Graham might like
12 to comment further.

13 MR. GRAHAM: Mr. Chairman, I think when
14 the recommendation was made in the first instance
15 by the Survey Committee along this line it was
16 only a matter of discipline. I think we felt
17 that at some time in the future there might arise the
18 situation where it was going to be in the common
19 good that there should be some arresting of
20 lending activity. You will appreciate that in
21 a new act there is a responsibility on the
22 directors and officers of the credit unions that
23 in the event that their liquidity reserves are not
24 on hand that any loans made during that period
25 when they are impaired in respect of liquidity
26 reserves that they then become personally
27 responsible for money loaned during that particular
28 time. All we wanted was in fact the power that
29 should the occasion arise when we wanted to
30 particularly stop further lending we could invoke
any portion of this additional amount of money
which, of course, immediately would put them in
the position that unless they had an adequate
amount of funds to ensure their liquidity which



1 they could only do in reducing their loans it
2 would have a dampening effect on loans going
3 out through the observance of that 12 per cent.
4 That was basically a matter of self-discipline
5 in the movement. Perhaps when we get into some
6 other question of responsiveness you will find
7 that among the movement. There are fantastic
8 amounts of discipline which these people are
9 willing to apply to themselves in order to
10 conform with what is indicated to them as being
11 for the common good and what should be done.

12 COMMISSIONER LEMAN: I am sure the
13 intentions are good. I am just talking about
14 the problem of mechanics here. One would think
15 that reserves could be easily built up when
16 there are no conditions of adversity throughout
17 the system and to wait until the conditions of
18 adversity are upon you to build your reserves might
19 be a bit of a difficult process.

20 MR. MONRUFET: I am not thinking of the
21 building of reserves but the very requirement that
22 is set out will arrest the lending activity
23 I think the main thing is to make sure that no further
24 loans are made during these particular periods until
25 such time as they have conformed to the requirements.

26 COMMISSIONER LEMAN: That is why I
27 wondered what was referred to as "conditions of
28 adversity". You are not referring to tight money
29 conditions, are you?

30 MR. GRAHAM: I imagine it is a fair
observation that if they cannot be accomplished
on a voluntary basis at least then the power is
in the Act to do something about it.

COMMISSIONER LEMAN: But I am asking you



1 what are the conditions of adversity you are
2 visualizing. What do you call "adversity"?

3 MR. McMASTER: I think the Survey Report
4 deals with this in part. As I recall there were
5 two factors they took into consideration. One
6 was while it appeared that the growth was a
7 factor it would affect the rate of growth which
8 may mean that as far as new share money in the
9 credit unions is concerned this as a source of
10 liquidity might tend in a year to become as
11 important a factor as it was in the past.
12 This might be one factor which would require
13 the advisability of increasing of the reserves.

14 The other factor would, of course, be
15 a period of sharp recession which might cause
16 difficulty in terms of dealing mainly with prime
17 producers and working people who would be affected
18 immediately by this and if this sort of circumstance
19 developed then it is desirable rather than
20 directing that they move into the cash reserve
21 that there be a slowing down of the loaning
22 process and if you keep in mind the short-term
23 nature of the larger portion of the loans in the
24 credit unions the slowing down of the loans in
25 the process means you are going to have money
26 on hand and available to build up your liquidity
27 reserves on the proceeds of repaid loans and
28 so while it might be a drastic step to take
29 if it were all done in one week from 8 per cent
30 to 12 per cent it is not beyond accomplishment
in a very short period of time in the credit
unions to come within that requirement and for
it to be arranged.

COMMISSIONER LEMAN: I am sure you see

visualizing. What do you call "industry"?
MR. McBRIDE: I think the Survey Report

deals with this in some. As I said, there were

two factors they took into consideration. One

was while it appeared that the growth was a

factor it would be the result of the growth which

may mean that the growth was not really in the

credit union in connection with the growth of

industry might be in a year or two or three

longer. I think it is the same in the case of

this might be one factor which would produce

the development of an industry of the type

the other factor which would be the result of

a period of rapid expansion which would be

difficult to form or build. I think that from

production and nothing else was taken into account

immediately by the time the growth of industry

developed then it is the same as the growth of

industry. I think that the growth of industry

that there is a growth of industry in the

present and if you look at the growth of

industry of the growth of industry in the

credit union the growth of industry in the

the present and you will find that the growth

on hand and the growth of industry in the

reverses in the growth of industry in the

to while it might be a factor in the growth

it is not all that in the growth of industry

be in part due to the growth of industry

in a very short period of time in the growth

industry to come within the growth of industry

to be expected

CONFIDENTIAL. I am sure you are



1 what I am driving by this time. You see, there
2 are certain types of adverse conditions and it
3 seems desirable to increase loans rather than
4 decrease them in line with the processes of
5 reactivation of the economic conditions in the
6 country. If those are the types of adversity
7 you are referring to you might work against perhaps,
8 let us say, the federal government's policy at
9 that very moment.

10 MR. McMASTER: I would like to reserve
11 on that one, Mr. Chairman, until we have delved
12 a little farther into this question. I think
13 there is an element of truth and I want to analyze this
14 and there may be certain periods when there is
15 an attempt through monetary policy to expand
16 the economy and that the credit unions may have
17 some conservative effect if the general economic
18 conditions did appear. They are dealing principally
19 with people who rely on their wages and salaries
20 to provide the savings and to whom they make loans
21 and they are sensitive, I think, to the positions
22 which such people hold and perhaps do not react
23 as quickly as well, for instance, the bankers
24 might to expanding out and giving the push that
25 might be required in a period recovery. However,
26 as I say I do not want to say too much about that
27 because I do think we need further study and this
28 is one of the problems that will be given consider-
29 tion in the presentation by the National Associations
30 of the Commission.

COMMISSIONER BROWN: In arriving at these
liquidity reserves, are you able to include
borrowings from the Central Credit Union?

MR. MONRUPET: They are a factor in this.



1 Mr. Graham might like to expand on that.

2 MR. GRAHAM: Yes, in other words the
3 borrowings can be construed, almost the right
4 to borrow, of course, is one of your measures
5 of liquidity as long as you have that right to
6 borrow, but if there is no distinction made at the
7 moment in as much as there is no charge against
8 any particular asset other than perhaps the
9 loans receivable that may be the only thing
10 taken in charge only when one of the credit unions
11 borrow from them so that their deposits with
12 Central are free to form their liquidity reserves;
13 in other words, it is possible that a credit union
14 will have whatever the amount may be required for
15 the liquidity reserve with Central and at the
16 same time have more borrowings from Central.

17 COMMISSIONER BROWN: In computing this
18 liquidity reserve would it not be more conservative
19 if the cash and equivalent assets were computed
20 net of the borrowing?

21 MR. GRAHAM: Well, of course, that simply
22 means, I imagine, that you are not allowed in fact
23 then I take it under that basis to borrow against
24 your loan. Is that correct, you are not allowed
25 to borrow and make further loans because you would
26 have to count that against your liquidity -- is
27 that the point you are making?

28 COMMISSIONER BROWN: Yes, otherwise you
29 could increase your liquidity by merely borrowing
30 from Central?

MR. GRAHAM: Yes, as long as you have
the rights to borrow. Of course, that can be
done elsewhere as long as you have the rights
to borrow. Unless you are giving a particular

7. In other words:

to prevent, on one hand, I am not going to
of litigation, and I am not going to
to prevent, on the other hand, I am not going to
to prevent, on the other hand, I am not going to
to prevent, on the other hand, I am not going to
to prevent, on the other hand, I am not going to

General and for the future in litigation, however:

will have the right to demand a copy of the
the litigation, however, in the future, and of the
the litigation, however, in the future, and of the

COMMISSIONER GENERAL: In a separate, this

litigation, however, it is not to be done, and it is
at the same time, and it is not to be done, and it is
not to be done, and it is not to be done

MRS. GRAMER: Will, on a point, that is
to be done, and it is not to be done, and it is
to be done, and it is not to be done, and it is

to be done, and it is not to be done, and it is

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to be done, and it is not to be done, and it is



1 item on charge, one can borrow any time to
2 establish your liquidity reserves providing the
3 item is not charged. Even in Central you will
4 find if you give bonds as security for the loan,
5 those bonds are not allowed to be considered in
6 your portfolio.

7 COMMISSIONER BROWN: I don't think you
8 have quite got my meaning, but in these times
9 when your liquidity ratio might be getting low,
10 instead of just cutting down on loans could you
11 not under the present setup merely borrow from
12 Central?

13 MR. GRAHAM: You can borrow from Central.

14 MR. McMASTER: As long as funds are
15 available from that source.

16 MR. GRAHAM: And as long as you have
17 borrowing rights.

18 MR. McMASTER: Perhaps it could be
19 illustrated in this way: Supposing you had your
20 liquidity reserve in a chartered bank, you would
21 still be free to go and borrow either from the bank
22 or from some other source. I am not talking
23 about credit unions, but generally speaking
24 with an institution -- on the security, for
25 instance, on accounts receivable, that you would
26 still have your liquidity, however, if you needed
27 the money to pay out on withdrawals, and you
28 immediately draw on the bank. So, to net it
29 would not be -- except in a period where you
30 could not get any other borrowing.

COMMISSIONER BROWN: But credit unions
do have lines of credit with the chartered banks,
do they not -- the individual unions?

MR. GRAHAM: Primarily through Central.

in the first place, and a person who will
find it you give bonds as security for the loan.
these bonds are not allowed to be considered in
your portfolio.

have quite got my meaning, but in these times
when your liquidity ratio might be getting low,
instead of just sitting down on loans could you
not under the present setup merely borrow from

MR. GRAHAM: You can borrow from Central.

MR. McMASTERS: As long as funds are

available from that source.

MR. GRAHAM: And as long as you have

borrowing rights

MR. McMASTERS: Perhaps it could be

illustrated in this way: Supposing you had your
liquidity ratio in a chartered bank, you would
still be free to go and borrow from the bank

or from some other source. I am not talking

about credit unions, but generally speaking

with an institution -- on the security, for

instance, on account receivable, that you would

still have your liquidity. However, if you needed

the money to pay out on withdrawals, and you

had to go down on the bank, so, to put it

could not be -- except in a period where you

could not get any other borrowing.

COMMISSIONER BROWN: But credit unions

do have kind of credit with the chartered banks,

do they not -- the individual unions?

Primarily through Central.



1 COMMISSIONER BROWN: Mainly Central?

2 MR. GRAHAM: Mainly Central.

3 COMMISSIONER BROWN: So there would be
4 considerable liquidity in that way?

5 MR. GRAHAM: That is right.

6 COMMISSIONER BROWN: In addition to your
7 other forms of liquid assets?

8 MR. GRAHAM: That is right.

9 COMMISSIONER BROWN: The point I am trying
10 to get clear is that this liquidity ratio does
11 not automatically stop you from further lending?

12 MR. GRAHAM: May I suggest, Mr. Brown,
13 that in my opinion part of your liquidity is your
14 right and your ability to borrow at any time.
15 I suggest it has a form in the liquidity itself.
16 In other words, if you are so ample you are able
17 to borrow a large amount of money, it seems to me
18 that is part of your liquidity as long as you
19 have that ability to borrow and it is not foreign
20 to think you may go and charge and provide yourself
21 with liquid assets in order to take care of any
22 withdrawals.

23 COMMISSIONER MacKEEN: Would you describe
24 it as reserve liquidity?

25 MR. GRAHAM: Well, it is reserve liquidity.
26 When you get down to liquidity I think you have
27 to take the pattern of repayment of loans in,
28 and your borrowing rights in, and all of these
29 things which will provide us with funds to take
30 care of calls for cash.

COMMISSIONER MacKEEN: It is not actually
liquidity until it is borrowed.

MR. GRAHAM: Precisely.

MR. MONRUFET: Mr. Chairman, I believe the



1 fact that is interesting here is when the
2 government makes their inspection operation, that
3 inspection is a calculation of the credit union's
4 liquidity at that point in relation to requirements
5 of the credit union legislation. This money must
6 be represented in their account which is generally
7 in the B.C. Central Credit Union, and I do not
8 believe the inspector concerns himself as to
9 whether this has been borrowed to put in there
or otherwise; but it must be there.

10 COMMISSIONER LEMAN: Perhaps we can talk
11 with B.C. Central a little more about that because
12 you seem to admit your line of credit with B.C.
13 Central is not necessarily firm. It depends
on that body's ability to provide it.

14 MR. MONRUFET: Its own liquidity, yes.

15 COMMISSIONER LEMAN: That refers me a
16 little to paragraph 26 where at the end you say
17 you are not interested in making a profit out of
18 the use of other people's money. Perhaps that
19 is where you are contrasted with the banks a bit.
20 Is that a matter of principle, or do you feel
21 it would engage you in an area of risk that you
don't care to enter on?

22 MR. MONRUFET: This, Mr. Chairman, is
23 a matter of the very basis and principle of the
24 credit union operation, that this is the members'
25 funds used for the members' benefit, and only
26 their funds, except to the extent to which the
27 credit union may borrow from time to time for
28 the purpose of serving those members, and I
29 think probably to be spelled out here it is that
30 any earnings that may accrue from the lending
of this membership is distributed back to them



...is a reflection of the credit ...
...at that point in relation to ...
...of the credit union ...
...be represented in this ...
...in the B.C. ...
...believe the ...
...whether that has been ...
...or otherwise; but it must be ...

...with B.C. ...
...you seem to ...
...General is not ...
...on that body's ...

...MR. ...
...of the ...
...it is not ...
...the ...
...is where you are ...
...it that a ...
...it would ...
...don't ...

...MR. ...
...a ...

...the ...
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...the ...
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...the ...
...the ...



1 in one of three ways: Either it is a dividend
2 on their shares, or it is paid on the amount
3 of loan paid, or in special services that might
4 be given by the credit union to them in the
5 form of insurance benefits, and, of course,
6 as reserves against bad debts in the credit union.
7 But, it is pretty much of a closed circuit, and
8 this is what we mean about not making profit on
9 these funds used for the members.

10 COMMISSIONER LEMAN: But would you be
11 averse to making profits for your members with
12 other people's money if you could find a safe
13 way of doing it?

14 R. McMASTER: I think philosophically
15 the credit unions have demonstrated they would
16 be averse to it. In other words, first of all
17 there is a borrowing fund between credit unions
18 which they regard as being an extension of the
19 credit union principle, that borrowing beyond
20 that point is only for the purpose of making
21 a maximum use of their own funds, and they are
22 averse to the idea of borrowing large sums of
23 the people's money to bring into this pool.
24 It is only a case of making the maximum use of
25 what they have.

26 MR. MONRUFET: Without encroaching
27 on B.C. Central's representation, I think it may
28 be well to observe that these borrowings centre
29 around the fact that credit unions at certain
30 times may have idle money, and in certain areas
and in certain industries, and it was found
desirable to pool those funds that may be idle,
plus the necessary liquidity reserves of the
credit union, into a central location in order



in one of these ways: Within is in

of the bank, or in a letter to the bank

be given by the credit union to them in the

form of insurance certificate, and, of course,

be received by that bank in the credit union

But, it is fairly much of a closed circuit, and

this is the reason why the credit union is not

in a position to do much more than

confer with the bank, and the bank

in the so-called credit union for your members with

both a complete money if you could find a safe

way of doing this

any of these ways, I think, is the only

of course to the bank, and the bank

is in a position to do much more than

confer with the bank, and the bank

in the so-called credit union for your members with

both a complete money if you could find a safe

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any of these ways, I think, is the only

of course to the bank, and the bank

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in the so-called credit union for your members with

both a complete money if you could find a safe

way of doing this

any of these ways, I think, is the only

of course to the bank, and the bank

is in a position to do much more than



1 to keep members' money collectively working to
2 maximum advantage through the credit unions
3 within the province. they are operating, and I
4 think this is the basis of it, and beyond that
5 the only outside money, if I may use that term,
6 that is brought into this operation would be the
7 borrowings of our B.C. Central Credit Union through
8 their line of credit with the banks. Apart from
9 that it is the credit union members' money kept
operating among their own credit union operations.

10 THE CHAIRMAN: You do not make a profit
11 out of members of your own family?

12 MR. GRAHAM: Right.

13 THE CHAIRMAN: That is really what it
14 comes to, isn't it?

15 MR. MONRUFET: That is correct, sir,
y... .

16 COMMISSIONER GIBSON: May I ask a few
17 questions about loans -- lending practice: What
18 is the average size of the consumer loans you
19 make?

20 MR. MONRUFET: What type of loans, sir?

21 COMMISSIONER GIBSON: Household loans,
22 loans you spoke of as having a normal maturity
of not more than two years, and that sort of thing?

23 MR. MONRUFET: I believe we have some
24 statistical information on this.

25 MR. GRAHAM: I think it is on page 35
26 of the Survey Report: The median and the mode
27 of the loans are shown on page 35 -- the type
28 of security taken in respect of those particular
loans too.

29 COMMISSIONER GIBSON: The average loan
30 is a good deal under \$1,000?



1 MR. MONRUFET: Oh yes, I would say that
2 the same thing.

3 COMMISSIONER GIBSON: This includes all
4 loans, your real estate loans being somewhat larger?

5 MR. MONRUFET: Yes.

6 COMMISSIONER GIBSON: Do you make any
7 what you would call large loans?

8 MR. MONRUFET: Some credit unions do.

9 COMMISSIONER GIBSON: What would you
10 mean by a large loan?

11 MR. MONRUFET: An example of a large loan
12 would be \$10,000, \$15,000, \$20,000 for the building
13 and developing of a fishing co-operative, for

14 COMMISSIONER GIBSON: This would not
15 mean to the co-operative?

16 MR. GRAHAM: No, to the individual.

17 MR. MONRUFET: We do not have a great
18 many loans which would fall into that size.
19 Only a substantial credit union would have the
20 funds to make a loan of that size.

21 COMMISSIONER GIBSON: Do you find there
22 is growing pressure on you to make loans that might
23 be described as of a business character, whether
24 to co-operatives or otherwise?

25 MR. MONRUFET: Speaking personally, I
26 have not noticed anything I would term as a growing
27 pressure. I don't believe there has been much
28 change in our pattern.

29 COMMISSIONER GIBSON: Let us say an
30 increasing tendency to get applications of this
kind.

MR. GRAHAM: I think the whole encouragement
is to avoid business loans. It is pointed out in the



1 Survey Report, and I think in the brief that
2 has been presented to you, that our history
3 in connection with these loans has not been a
4 happy experience, and as such generally credit
5 unions will encourage and try and keep within
6 the orbit intended for them.

7 COMMISSIONER GIBSON: When you say
8 "not a very happy experience"...?

9 MR. GRAHAM: There have been small
10 business loans. I find it with a checking service
11 where a person will come in and open a checking
12 account, and the next thing you know this person
13 has intended it as a business account and they
14 come to you for accommodation. That type of
15 thing is to be discouraged. In fact, the
16 recommendation we make is not to have at any time
17 a business account -- even if they don't indicate
18 their purpose, that we should discourage having it
19 in as such and they should go to the banks because
20 ultimately these accounts seem to need accommodation
21 and, as such, the banks are the place.

22 COMMISSIONER GIBSON: So when your members
23 go somewhat beyond their individual requirements
24 there tends to be some restraining of them?

25 MR. GRAHAM: You do restrain them. You
26 get the exception in the fishermen, and perhaps
27 in some farming communities. It is a very difficult
28 thing to consider the livelihood of a wage earner
29 and the livelihood of a farmer.

30 MR. McMASTER: With the exception of a
fisherman, which is dealt with specifically in
the brief, and which is a different problem, very
few of the credit unions would lend money directly
to co-operatives. The Central uses its services



has been presented to you, that our history
in connection with these loans has not been a
happy experience, and as such generally credit
unions will encourage and try and keep within
the limits of their own power.

COMMISSIONER GILSON: When you say

"not a very happy experience"...

MR. GRAHAM: There have been small

business loans. I find it with a checking service
where a person will come in and open a checking
account, and the next thing you know this person
has intended it as a business account and they
come to you for accommodation. That type of
thing is to be discouraged. In fact, the
recommendation we make is not to have at any time
a business account -- even if they don't indicate
their purpose, that we should discourage having it
in as much as they should go to the bank to secure
directly that account, and need recommendation
and, as such, the banks are the place.

Go somewhat beyond their individual requirements

there tends to be some restriction of credit.

MR. GRAHAM: You are not with them. You

are the one who is in the position, and perhaps

in the position of a bank, it is a very difficult

thing to consider the likelihood of a large number

and the likelihood of a default.

MR. McNEELY: With the exception of

financial, which is dealt with specifically in

the report, and which is a different problem, very

few of the credit unions would lend money directly

to co-operatives. The General does not provide



1 in this way, but very few of the credit unions
2 would do it direct.

3 COMMISSIONER GIBSON: When you find that
4 the credit union facilities are pretty thoroughly
5 utilized, which ones does it give preference to?

6 MR. MONRUFET: The accepted policy is
7 that preference is given to the small loans to
8 accommodate as many members as possible.

9 COMMISSIONER GIBSON: The small personal
10 loans?

11 MR. MONRUFET: Yes.

12 COMMISSIONER GIBSON: What is your most
13 common type of security? Do you take chattel
14 mortgages, etc.? Is that the frequent type?

15 MR. MONRUFET: There are a number of
16 different types of security, of course, but the
17 Survey Report covers this in some detail at page 34.

18 MR. BATES: It shows the median and mode
19 of the loans and indicates activity as far as
20 the security is concerned.

21 MR. McMASTER: Page 34, table 10, the
22 nature of the security is set out. The tendency
23 in the smaller credit unions is to take signature
24 in guarantees, and as the credit unions get larger
25 you will find the tendency is to take other types
26 of security against either real estate or life
27 insurance etc.

28 COMMISSIONER BROWN: You take chattel
29 mortgages?

30 MR. McMASTER: Oh, yes -- with some
caution.

COMMISSIONER MACKINTOSH: What is your
practice with regard to interest rate on loans?
Does this vary according to the type of loan?



in this way, but
did so it direct.

COMMISSIONER GIBSON: When you find that

utilized, which was done in five places and so

MR. ROBINSON: The second copy is

that the second is given to the third party to

communicate to the third party as possible.

MR. ROBINSON: Yes.

COMMISSIONER GIBSON: When is that done

about 1910? I think it was about 1910.

MR. ROBINSON: That is a long time

ago, but I think it was about 1910.

anyway, I think it was about 1910.

MR. ROBINSON: I think it was about 1910.

of the time of the first activity of the

the activity in connection.

that is, I think it was about 1910.

for the first time, I think it was about 1910.

in connection, and so on, I think it was about 1910.

for the first time, I think it was about 1910.

activity, I think it was about 1910.

information.

MR. ROBINSON: Oh, yes -- when

time in your

time in your



1 MR. MONRUFET: In some cases this will
2 vary according to the type of loan. However,
3 it is generally accepted policy through the
4 movement of one per cent per month on the unpaid
5 balance to be charged with respect to loans from
6 the credit union. It is interesting to observe,
7 of course, that even though we encourage operating
8 at the maximum, which is a two-year effective
9 rate of 12 per cent, as you will recognize,
10 any surplus earnings that may be made from this
11 reflect back on adjustment of interest through
12 the form of patronage dividends at the end of the
13 year or other direct services to the membership.
14 When a member is borrowing against his shares
15 in the credit union we will find in many cases
16 where a credit union will give a preferred rate
17 here, the reason being to encourage the member
18 to maintain his savings, which is one of our
19 primary objectives -- to encourage thrift, and
20 this is done. In certain types of loans also some
21 credit unions will give a preferred rate for a
22 real estate loan. One that is given which would
23 be a little larger loan would be given on the basis
24 of a mortgage against property very adequately
25 secured, and which would be of particular benefit
26 to him.

27 COMMISSIONER BROWN: How much better would
28 be the rates?

29 MR. GRAHAM: There is a disclosure on
30 page 13 of the Survey Report -- page 13 of the
Financial Section.

MR. MONRUFET: I believe that page will
answer the question fairly accurately.

COMMISSIONER HARROLD: You say that there

Mr. MONROE: In some cases this will

vary according to the type of loan. However,

it is generally accepted policy among the movement of one per cent per month on the unpaid balance to be charged with respect to loans from the credit union. It is interesting to observe, of course, that even though the accepted charging

at the bank, which is a two-year activity,

rate of 12 per cent, as you will recognize,

any surplus earnings that may be made from this

reflected back on adjustment of interest through

the form of patronage dividends at the end of the

year or other fixed periods to the membership.

When a member is borrowing against his share

in the credit union he will find it very easy

where a credit union will give a preferred rate

here, the reason being to encourage the member

to maintain his savings, which is one of our

primary objectives -- to encourage savings, and

also to have, in certain types of loans also some

credit unions will give a preferred rate for a

loan of 10 per cent. One that I have seen which

has a little larger loan would be given on the basis

of a mortgage against property with no down payment

needed, and which would be of particular benefit

to him.

JOHN F. BROWN: How much better would

be the result?

A. GRANT: There is a discussion on

page 13 of the Survey Report -- page 13 of the

I believe that page will

show the question fairly and properly.



1 is a refund made in the form of patronage
2 dividend on the interest rate on the loan. How
3 do you decide who gets this patronage refund --
4 the member making the loan or the member who by
5 way of share dividend was supplying the money
6 to make the loan?

7 MR. MONRUFET: This is a matter of
8 recommendation by the Board of Directors after
9 taking into consideration the financial operations
10 of the credit union for the year and after saving
11 their statutory reserves under the Act and then
12 examining the surplus which they have left.
13 They will then recommend to the membership the
14 distribution of that surplus. Now, it has been
15 their practice, as already previously pointed out,
16 that they try to keep their dividends at a reason-
17 able level. There has not been a tendency to
18 necessarily build these up as high as possible
19 because we realize that one of the major credit
20 union hopes is to give small percentage loans
21 at the most reasonable rate to the people who are
22 members of this organization so that the average
23 dividend has ranged between $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent
24 and it is then reflected in a surplus in most
25 cases that will be in the form of a patronage
26 refund which, on the average, is between 15 to
27 20 per cent and this is their practice and there
28 is nothing to prevent a different apportionment
29 of the surplus but this has been our spirit
30 and purpose.

MR. McMASTER: Their statutory limit
is now a total of 6 per cent but in practice the
credit unions have not gone to that percentage.

COMMISSIONER MACKINTOSH: Those figures



is a refund made in the form of a certificate
 dividend on the interest rate on one loan. How
 do you decide who gets this percentage fund --
 the member making the loan or the owner who by
 way of share dividend was supplying the money
 to make the loan?

MR. MONROE: This is a matter of

recommendation by the Board of Directors after
 taking into consideration the financial conditions
 of the credit union for the year and in deciding
 their subsidiary reserves under the act and then
 examining the surplus which they have left.

that is the question of what surplus, now, is the loan

that they try to keep their dividends at a reason-
 able level. There has not been a tendency to
 necessarily build them up as high as possible
 because we realize that one of the major factors
 union hopes to be able to give small amounts of
 at the most reasonable rate to the people who
 members of this organization so that they can
 dividend and they are getting 2 1/2% to 3% and
 and it is then reflected in a dividend in some
 cases that will be in the form of a percentage
 refund which, on the average, is between 1 1/2 to
 2 1/2 per cent and this is their percentage and there
 is nothing to prevent a different percentage
 on one surplus or this has been our policy
 for years.

is now a total of 6 per cent but in practice the
 would have not gone to that percentage.



1 you gave have been fairly standard over a period
2 of years, have they?

3 MR. MONRUFET: Yes sir.

4 COMMISSIONER MACKINTOSH: No particular
5 trend on them?

6 MR. MONRUFET: The dividend percentage
7 over the past probably six or eight years has
8 had a tendency to go up slightly because as
9 we are aware there are various types of very
10 attractive investments that could attract our
11 members' money and the tendency is to keep the
12 dividends up at least to where they are reasonably
13 attractive to the member to make his savings there.
14 But we might also mention that in practically all
15 credit unions in the province too while a member
16 may receive, say, a $3\frac{1}{2}\%$ dividend he is also
17 provided by the credit union with insurance on his
18 life savings in an amount going up to \$3,000
19 below the age of 55 and beyond that on a sliding
20 scale.

21 COMMISSIONER MACKINTOSH: There is no
22 separate fee for that?

23 MR. MONRUFET: No, this is paid out of
24 the surplus of the credit union and this represents
25 to him an added advantage in his savings in the
26 credit union which might be approximately $3/4$ of
27 1 per cent.

28 THE CHAIRMAN: This is an insurance on
29 the monies that he deposits?

30 MR. MONRUFET: No, there are two types.
Life savings insurance is an insurance on his
savings and mainly this is carried on the share
savings of the members. In the event of death,
for example, a man at the age of 48 years who has

You have been fairly steady over a period
of years, have you?

MR. MONROE: Yes sir.

COMMISSIONER MACKINNON: No particular

trend on them?

MR. MONROE: The dividend payments

over the past probably six or eight years has
had a tendency to go up slightly because as

stated in the statement that could affect our
members' money and the tendency is to keep the
dividends up as far as where they are reasonably
satisfactory to the member to make him a little more
satisfied with the company that is practically all
credit unions in the province for which a member

has received a \$3.50 dividend he is
provided of the credit union which is on the
life savings is an amount going up to \$1,000
below the rate of 5% and beyond that on a sliding
scale.

COMMISSIONER MACKINNON: There is no

separate fee for that?

MR. MONROE: No, sir, it is not.

The purpose of the credit union is to provide
to him an added advantage in his savings in the
credit union which is a very important thing in
a person's life.

MR. CHILMAN: This is an insurance on

the money that is deposited?

MR. MONROE: No, there are no fees.

Life savings insurance is an insurance on the
savings and money that is carried on the plan
savings of the company. In the event of death,
for example, a man of the age of 65 years who has



1 \$1,500 in his credit union is insurable. The
2 requirement is that he is able to carry on
3 the usual duties of his livelihood. He dies.
4 The insurance will match his share equity; in
5 other words, he has \$1,500 in savings and the
6 beneficiary will receive \$3,000.

7 On the other side we have the loan
8 reduction insurance which is provided on the same
9 basis out of earnings in the credit union and
10 here loans will be insured up to a maximum of
11 \$10,000. His insurance prevails up to the age
12 of 70. After that it is automatically discontinued
13 and here again the provisions are that the member
14 must be able to carry on the usual duties of
15 his livelihood. Should he die at any age prior
16 to age 70 any amount up to \$10,000 will be liquidated
17 by the loan reduction insurance and therefore his
18 estate or beneficiaries will not have to pay this
19 sum.

20 THE CHAIRMAN: Is the insurance for a
21 specific sum or does it only cover the balance
22 that might be owing at the time of his death?

23 MR. MONRUFET: It covers the balance that
24 might be owing at any specific time; in other
25 words, a man might start off with a \$5,000 loan
26 and have it paid down to \$3,500. It would be
27 the balance that the insurance would pay off, yes.

28 COMMISSIONER MACKINTOSH: I am sure this
29 is covered somewhere in the submission but what
30 is the position of the credit union in respect of
taxation?

MR. MONRUFET: This question, Mr. Chairman,
it is intended that anything touching this area
would be covered in our national briefs on behalf



1 of the movement. I would point out to the
2 Commission because I know you will be concerned
3 that should there be any differences of opinion in
4 this respect between, say, the Credit Union
5 League or this type of thing this will be particularly
6 brought out at the national level in their represent-
7 ations.

8 MR. McMASTER: I think I ought to say
9 that there was a Royal Commission, as you may
10 recall, in 1945 on the question of taxation of
11 co-operatives which included credit unions. The
12 results of that Commission with regard to credit
13 unions was that the Commission felt that the
14 general values which the credit unions were
15 contributing to the community in encouraging
16 savings and providing loans at reasonable rates
17 to people who otherwise might not get services
18 of this type of thing justified a public policy
19 of exempting and continuing to exempt credit unions
20 from taxation and that finding of the Commission
21 plus the development since then will be reviewed
22 in the national submissions.

23 MR. MONRUFET: I think too, Mr. Chairman,
24 that it should be noted that any returns which
25 an individual member may get from participating
26 in his credit union are, of course, subject to
27 individual income taxation so that the members
28 of the main organization making earnings on their
29 savings therein have to declare this for the purposes
30 of income tax.

COMMISSIONER MACKINTOSH: I was just
asking that my memory be refreshed on the facts
of this. I was not arguing about taxation. I
do object, however, to the suggestion that credit



1 unions render a public service and members of the
2 Commission do not.

3 MR. MONRUFET: I am quite sure, Mr. Chairman,
4 that this Commission is rendering an extremely
5 valuable public service.

6 THE CHAIRMAN: Well, you wait and see.

7 COMMISSIONER LEMAN: Q.E.D

8 THE CHAIRMAN: If those are all the
9 questions we will adjourn until 2 o'clock.

10 MR. MONRUFET: Mr. Chairman, in
11 withdrawing may I thank the Commission for their
12 attention in hearing our brief and also their
13 consideration in asking us very objective questions.

14 THE CHAIRMAN: I am sure the Commission
15 is very pleased with your presentation and the
16 way that the questions have been answered and
17 I am sure that we have a much better understanding
18 of your problems than we had before.

19 MR. MONRUFET: Thank you, sir.

20 THE CHAIRMAN: Adjourned until 2 o'clock.

21 --- Luncheon adjournment.
22
23
24
25
26
27
28
29
30



--- On resuming at 2.15 P.M.

THE CHAIRMAN: We will call the meeting to order. The British Columbia Central Credit Union: Mr. McMaster?

SUBMISSION OF B.C. CENTRAL CREDIT

UNION

Appearances

Mr. John Lucas	- President
Mr. R. J. McMaster	- Counsel
Mr. J. R. Robinson	- Manager
Mr. Frederick Graham	- Auditor and Financial Advisor

MR. McMASTER: I am appearing as counsel, Mr. Chairman, for B.C. Central Credit Union, appearing on behalf of that organization with respect to its brief. I do not think I need to repeat what I said at the opening of the brief of the Credit Union League this morning, Mr. Chairman, about those matters as they affect matters of financial policy and monetary policy and the recommendations which ultimately might be made, which are matters presently under consideration and study by the National Association and by the Canadian Co-operative Credit Society. I think the great essential skirts a little closer to some statements with regard to that, but we would



1 like to reserve the considered opinion on it
2 for the national hearings.

3 Once again I am indebted to Mr. Brown
4 who did his homework on this brief, and I draw
5 your attention to an error which appears in
6 Schedule 14. It is a typographical error in
7 regard to the graphs, and unfortunately the keys
8 got mixed, and this gives a converse picture.
9 However, I think it is fairly obvious. It is
10 Schedule 14 -- the graph: The two keys showing
11 the parallel lines and the oblique lines are in
12 the opposite order to what they ought to be.

13 I have been asked on behalf of B.C.
14 Central to present the summary of their brief.
15 I have associated with me, Mr. Chairman, Mr.
16 John Lucas, the President of the B.C. Central
17 Credit Union; Mr. J.R. Robinson, Manager and
18 Mr. Frederick Graham Auditor and Financial Advisor.
19 I will read the brief, and Mr. Robinson will try
20 to answer the questions of the Commission, and
21 he may seek the assistance of his colleagues if
22 he finds it would be useful to do so, and if it
23 pleases the Commission.

24 --- Mr. McMaster reads the summary of the brief

25 --- The following remarks were made by Mr. McMaster
26 during the reading of the summary:

27 MR. McMASTER: You may notice in paragraph
28 4 it says "326 credit unions", and I think the brief
29 this morning said 327. The reason is that
30 Central didn't count itself as a credit union but
as a central credit union, whereas the League



1 counted them as a credit union.

2
3
4 MR. McMASTER: Both in this brief
5 and in the League brief, and referring to the
6 staff including a chartered accountant, that is
7 not Mr. Graham who is an outside auditor. It
8 is an actual employee who has that qualification.

9
10 COMMISSIONER GIBSON: Reading your very
11 interesting brief, one thing that struck me was
12 the fact that you chose to put yourselves under
13 the Federal Act -- the Canadian Co-operative
14 Credit Societies Act: Would you care to say a little
15 more about that -- your reasons for doing so?

16 MR. McMASTER: Yes: There were two
17 reasons, actually, I would think. One reason was
18 that the Central Credit Unions, particularly in those
19 provinces where they are larger than in some others,
20 felt there was a need for a national central credit
21 union extending the principle of credit union to an
22 interprovincial situation where there might be
23 an interchange of surpluses between Centrals,
24 and they desired, therefore, incorporation in the
25 Canadian Society by act of the parliament of
26 Canada. The other reason was that in the course
27 of the investigation of that matter there were
28 some questions raised, actually I think in the
29 minds of credit union people rather than by the
30 government, as to whether in view of some of
the practices of Centrals there might be a
suggestion that some encroachment into the areas



1 of jurisdiction that come within the jurisdiction
2 of the parliament of Canada, and the effect of
3 the Act is that by registration under the Dominion
4 Act the Central is deemed to be incorporated under
5 the Dominion Act, and thereby if it were required
6 to sanction by the jurisdiction of the parliament
7 of Canada the type of operation which it carries
8 on within its legislative power.

9 MR. ROBINSON: I would point out, Mr.
10 Chairman, the principal reason was the idea of
11 the organization of a national body through which
12 would be pooled the funds of credit unions across
13 Canada. That was the principal basis.

14 COMMISSIONER GIBSON: One of the topics
15 that came up this morning in discussing the brief
16 of the B.C. League was the question of supervision,
17 and it was suggested that we might wait until
18 this afternoon to question Central on the matter
19 of where Central fitted into this matter of
20 supervision. I think we realize that Central
21 does not have any supervisory power in a direct
22 way, but simply makes loans to the credit unions
23 and presumably puts a certain amount of emphasis
24 on standards and modes of procedure.

25 MR. ROBINSON: In making loans to
26 credit unions -- we require now a fairly detailed
27 report from the credit unions annually when they
28 make the application for the loan and in this
29 we are seeking to find out the size of individual
30 share balance, size of individual loans and we
would give guidance on matters if we found loans
too heavy to one person, the great preponderance
of shareholdings by one or two members. As you
appreciate our relationship is strictly voluntary



1 and therefore it has to be by persuasive methods
2 that we give guidance on these matters.

3 COMMISSIONER GIBSON: Well, if you are
4 lending money, of course, your powers of persuasion
5 are somewhat increased.

6 MR. ROBINSON: The schedule to which
7 I refer is the very last one, Schedule 31,
8 where we will get information on the size of the
9 credit union itself, whether it is borrowing money
10 elsewhere or from any other source, the size
11 of the credit union bond that we will be relating
12 it to assuming the proper borrowing to the size
13 of the credit union and then we are interested
14 in the question of whether they are maintaining
15 their liquidity reserve and will do everything
16 we can to ensure and our local requirement requiring
17 that they have their liquidity reserve on hand
18 and making sure they have it there. In fact we
19 put it there. We take a glance at the measure
20 of their delinquency to the size of shareholdings.

21 COMMISSIONER GIBSON: What do you do
22 when you are not happy with what you find and
23 want to have it improved?

24 MR. ROBINSON: Well, we make suggestions --

25 COMMISSIONER GIBSON: Would you reduce
26 the loan?

27 MR. ROBINSON: We will make suggestions,
28 write to them, call on them. If we would find
29 a condition that we deem unfavourable, a rather
30 poor condition, we would discuss the matter first
of all having discussed it with their own board
and their own manager and getting no satisfaction
there we would then go to the inspection department
and suggest to the inspector that he take a look



1 at this particular credit union. We would do
2 the same with the League. We make sure of keeping
3 up to date annually from our members by asking
4 from them a quarterly report on some of this
5 very information I have mentioned. It is in
6 the same part of page 31, but Schedule 2 instead
of Schedule 3.

7 COMMISSIONER GIBSON: Another matter
8 was discussed this morning and the suggestion
9 was it should be postponed until the meeting
10 with Central and that was the question of the
11 responsiveness of the credit unions, primarily
12 Central and through Central the credit unions
13 to changes in credit conditions. A certain
14 amount of reference is made to this in the brief.
15 I wonder if you can tell us more about it. Is
16 borrowing actually restricted to the credit unions
17 when money is tight, is something done to indicate
18 to the credit unions that there is more money
19 available when money is not so tight -- can you
elaborate on this a bit?

20 MR. ROBINSON: We do not -- for instance,
21 if money is easy we do not encourage credit unions
to borrow from us.

22 COMMISSIONER GIBSON: You do not reduce
23 your rate of interest on loans to them?

24 MR. ROBINSON: No, we would not go out
25 and encourage a credit union to borrow money. We
26 look upon the matter of a credit union borrowing
27 money as a service they make available seasonally
28 for their members. We would recommend to the
29 credit unions that they ordinarily should keep
30 their ability to borrow available for that
seasonal demand and I think our balance sheet



1 and the record here shows that there is this
2 seasonal demand every spring and summer. We
3 would ordinarily recommend "Do not borrow too
4 heavily. Keep your borrowings down until the
5 seasonal demand and then you will be able to
6 get by so you can meet your members' needs
during this period."

7 COMMISSIONER GIBSON: When money was
8 tight in the periods that have been mentioned,
9 were the actual lending activities and borrowing
10 activities of the credit unions reduced? I gathered
11 from the statistics I have seen that they were
about the same.

12 MR. ROBINSON: We have a schedule in
13 here that indicates the actual level of loans,
14 the level of Central, I think it is Schedule 14,
15 and looking at the section on page 2 of that
16 dealing with the years 1959 and 1960 and that
17 sort of thing. In my recollection of the
18 early part of 1959 there was no particular
19 month -- early in 1959 there was no indication
20 of any shortage of money. Things were running along.
21 In fact we had rather a surplus in the early part
22 of the year. Then, early in the spring, as we
23 always do, we had arranged quite a substantial
24 line of credit, having this available as the
25 summer came upon us. As you will note, the
26 list went up from \$5 million 4, \$5 million 9,
27 \$6,700,000 -- this is in July -- at August
28 \$8, 300,000. It was in August we were advised,
29 a sudden phone call came and at this time we
30 had used a great part of our credit, we were
advised by the bank with whom we had the credit
that there would not be further credit available



1 except it was pointed out to us that if we had
2 already made certain commitments obviously we could
3 not be cut right off. You could not be cut off
4 like that. We did have commitments. We had
5 one particular commitment which had been made
6 some months earlier, no knowledge of a tight
7 money situation, it would have to be met and that
8 was met starting in September. It amounted to
9 by the end of the year \$400,000 and by the end
10 of the year we had advanced some \$200,000 of that.
11 This, of course, came in September.

12 So that the first indication -- there
13 were two indications going on. First of all, the
14 credit unions themselves were finding their own
15 pool of money short. This is very common in
16 credit unions that they use their own money
17 and not having enough of their own money then they
18 wonder if Central has enough money, is their pool
19 big enough? My thinking was that if we did not
20 have enough they would have to restrict themselves
21 so when we asked very suddenly to restrain their
22 lending they responded and very quickly did it.
23 The demands upon them -- and they did have many
24 demands -- were not met for a period. We did have
25 one or two credit unions like the Fishermen's
26 Co-operative which is dealt with in another way
27 here, a mid-winter seasonal need coming upon us
28 at this time. This does not show --

29 COMMISSIONER LEMAN: It shows on 27.

30 MR. ROBINSON: This need, after all,
was an inventory need and was one that we had
committed ourselves for. So that at this period
of the year we had the two things happening;
we had the credit unions reducing their loans



1 and we had the loans to these co-operative rising
2 at the end of the year as it would normally do
3 for seasonal purposes. You will note in the
4 schedule on page 27 that loans to credit unions fell
5 by some \$700,000.

6 COMMISSIONER GIBSON: This is the only
7 occasion where you have actually taken a deliberate
8 restraining policy, is it?

9 MR. ROBINSON: It is the only case where
10 we took a deliberately restraining policy. We
11 get in our annual report to members when --

12 COMMISSIONER GIBSON: 1957, was it?

13 MR. ROBINSON: 1956 is noted. I will
14 have to check again but we noted that there had
15 been some reports that money was rather tight
16 and that they should be careful in their lending
17 policy and not extend themselves out to other fields.
18 We are all conscious of the fact that if you cannot
19 get a loan in one place you will go seeking in
20 another. We encourage our members not to seek
21 too much of that business and to deal first with
22 its members. I think that reference is in
23 Schedule 30 on page 2:

24 "As an example, the Directors'
25 Report presented in June, 1956, encouraged
26 credit unions to maintain a conservative
27 loan policy and a sound liquid reserve
28 and to resist the increased pressure for
29 loans arising out of the tight money
30 position of the economy."

COMMISSIONER BROWN: This is what Schedule?

MR. ROBINSON: Schedule 30, page 2.
I just read a few words there. Those are the
two particular occasions.



and we had the chance to share co-operations rising
 at the end of the year as it would normally do
 for seasonal purposes. You will note in the
 schedule on page 15 that there are several items that
 by June 1950 000.

COMMISSIONER GILSON: This is the only
 occasion where you have actually taken a decision to
 maintaining policy. Is that

MR. ROBINSON: It is the only one where

we took a deliberately maintaining policy. Is

for an annual report or otherwise when --

COMMISSIONER GILSON: Right, yes.

MR. ROBINSON: There is more to it than

have to check with the law and the fact that it is not

been some serious and heavy law making right

and that they should be reported in the future.

policy and not making the law and the fact that it is not

We are all concerned in the fact that it is not

get a law in one place you will see it in

another. It is not one law in one place and the fact

too much of the maintenance and the fact that it is not

the matter. I think that otherwise it is

perhaps 50 on page 15

As we are going to be in the future

in the future, we are going to be in the future

we are going to be in the future, we are going to be in the future

and we are going to be in the future, we are going to be in the future

and we are going to be in the future, we are going to be in the future

Commissioner Gilson: This is the only one where

MR. ROBINSON: It is the only one where

COMMISSIONER GILSON: This is the only one where

MR. ROBINSON: It is the only one where



1 COMMISSIONER GIBSON: What did you
2 say when these occasions were over, did you say
3 anything?

4 MR. ROBINSON: In this one there was no
5 great need of action, in that one I have just read.
6 The 1959 condition we did advise our members on
7 October 30 of 1959. We told them we had promised
8 to keep them informed on the tight money situation.
9 We noted that better than a month had passed
10 since our letter, which was in August, and there
11 had only been an extremely slight improvmenet
12 as far as Central was concerned certainly, not
13 enough to allow for easing up.

14 Some commitments were made by Central
15 prior to any knowledge of our being placed in a
16 tight money situation and what we meant by that
17 was that our line of credit had been cut off and
18 we were therefore having to seek these other means.

19 COMMISSIONER GIBSON: Did you say at
20 some later point that this period has passed and
21 money is now normal or easier?

22 MR. ROBINSON: Yes, on April 19, 1960:

23 "Return to normal credit
24 conditions. We are pleased to advise
25 that we have just completed arrangements
26 with our bankers for a continuing line
27 of credit for 1960. It should mean
28 that we will be able to meet your normal
29 line of credit as we have been in the
30 past."

31 COMMISSIONER GIBSON: So that your indication
32 of your credit policy to the credit unions had
33 been done by letter by indicating how you regarded
34 the credit situation. You have not done it by

COMMISSIONER GIBSON: Now did you

say when these conditions were met, did you say anything?

MR. HOBBS: In fact, we cannot say no

great need of action, in that case I have just said.

The 1959 conditions we did advise our members on

October 30 of 1959. We told them we had intended

to keep them informed on the right money situation.

We noted this before then a month had passed.

Since our letter, which was in January, and there

has only been a extremely slight improvement

as far as currency was concerned certainly, has

enough to allow for saving.

Some conditions were made by the

prior to any kind of action being taken in a

right money situation and that was done by the

was that our kind of credit had been cut off and

we were therefore forced to look about other means.

Some later point that the money was paid and

money to the amount of \$100,000.

MR. HOBBS: Yes, on April 1, 1960.

It was to be \$100,000.

conditions to the amount of \$100,000.

that we have then completed our obligations.

with our bank for a continuing loan.

it would be \$100,000. It is what we

have as will be \$100,000. It is what we

line of credit as we have been in the

past.

of your credit policy to the credit policy has

been done by letter by indicating how you would

be exact situation. You have not done it by



1 changing the interest rate or any mechanical
2 means?

3 MR. ROBINSON: No, any times there have been
4 changes in interest rates they have been caused
5 because of possible factors changing our interest
6 rates.

7 THE CHAIRMAN: And the sensitivity of
8 tight money conditions was determined by your
9 relationship with the banks?

10 MR. ROBINSON: That is right.

11 THE CHAIRMAN: It was because the bank's
12 credit was being reduced. So that forced you to
13 advise the unions of the situation but that was
14 where the sensitivity began?

15 MR. ROBINSON: That is right.

16 COMMISSIONER BROWN: This letter of June,
17 1956 asking the unions to cut down on their loans --

18 MR. ROBINSON: This was in our Directors'
19 Annual Report to our members.

20 COMMISSIONER BROWN: Yes in 1957 at a
21 time when the unions increased their loans at a
22 faster rate than at any other time. This we had
23 this morning at page 62 of the Schedule. This
24 is the question we asked this morning and there
25 was no reason for this.

26 MR. ROBINSON: Let me see if I have my
27 reference.

28 COMMISSIONER BROWN: Page 62.

29 MR. ROBINSON: I wanted to look first
30 at the reference, the one that I read in 1956.

COMMISSIONER BROWN: It is June, 1956
according to Schedule 30 on page 2.

MR. ROBINSON: I am wondering if the
reference in the note that I have there comes out



1 of a report that was made actually to our members
2 in 1957 and I wanted to try and verify that. I
3 believe that in -- I was trying to find my
4 reference that I read from.

5 MR. McMASTERA: While Mr. Robinson is
6 looking for that, Mr. Chairman, if we look at
7 Schedule 14 of the brief you can see the reflection
8 of loans to members which in 1957 rose from
9 \$3 million to just short of \$6 million. On the
10 other side you will observe deposits less the
11 20 per cent reserve show a corresponding rise
12 in that period and during part of the period,
13 the end of 1956 and early 1957, the Central
14 was in possession of a surplus pool of funds
15 and this then following loans during 1957 was heavy
16 in the middle months which is the normal seasonal
17 demand but began late and ended off late at the
18 end of the year.

19 COMMISSIONER BROWN: It was a question
20 of the responsiveness.

21 MR. McMASTER: Yes, it does not indicate
22 that this is a limitation. There were apparently
23 very little limitation by the bank on Central
24 during that period. There was not too much
25 necessity during part of it to rely on the bank
26 and during the period that it was on there does
27 not seem to have been a limit placed by the bank
28 on the borrowing power. The result is that
29 with the increase in deposit money Central was
30 able to meet the requirements of its members so
that it would not be reflected in those figures.

THE CHAIRMAN: Well, during that period
the deposits were steadily increasing, shares
were steadily increasing and the loans were tapering



1 off.

2 MR. McMASTER: Well, the loans actually
3 were building up during the period of 1957.

4 COMMISSIONER BROWN: The loans built up
5 at a much faster rate in 1957.

6 Mr. McMASTER: That is accounted for
7 particularly on the reliance of borrowing from
8 the bank which is indicated in the right-hand
9 column but presumably the funds were available
10 from the bank during that period.

11 MR. ROBINSON: Going back to what you
12 were asking, the date I have is correct. It was
13 from a Directors' Report to the members and it
14 was made in June, 1956. You were asking about
15 the reference on page 62 of the Survey Report
16 to the fact that loans increased. The loans
17 made by credit unions increased very substantially
18 but that increase was in 1957 which seemed rather
19 strange.

20 COMMISSIONER BROWN: Yes. What I was
21 trying to get at was how responsive were these
22 unions to your suggestions and it would appear
23 looking at Schedule 14 through June, 1956 that the
24 loans to members in June, 1956 were \$3 million 5
25 and were still \$3 million 5 at the end of the
26 year and went down to \$2 million 2 and then
27 it really took off. It is all on this question
28 of responsibility.

29 THE CHAIRMAN: Well, on the other hand,
30 from May onward the deposits were increasing and
the shares increased a little bit -- not too much.

MR. McMASTER: Actually in 1956, Mr.
Chairman, there seems to have been a response.
There does not appear to have been a renewed



1 request to hold any loans in 1957 when they arose.

2 MR. ROBINSON: During the 1956-57 period
3 there was certainly no indication from the bank
4 in either of those years that the line of credit
5 which we had worked out was not going to be
6 available to us so that there was none of that
7 indicated to us.

8 COMMISSIONER BROWN: It was just your
9 own indication.

10 COMMISSIONER BROWN: It was just your
11 own indication?

12 MR. ROBINSON: This was an indication
13 we were trying to keep abreast of things and
14 anticipate it. We were attempting in this way
15 to guide them to watch these matters.

16 COMMISSIONER BROWN: When did you
17 get the information from the Bank?

18 MR. ROBINSON: The only time we have
19 ever had this indication was in August, 1959.
20 We have never had an indication any other year
21 of a line of credit being cut off by the bank.

22 COMMISSIONER BROWN: In that period at
23 the end of 1959 when you had this tighter money
24 as far as the bank is concerned, and you had
25 to cut down to your own credit unions, was there
26 any complaint that you were cutting them down
27 but increasing the loan to the co-operative?

28 MR. ROBINSON: No, none at all. The
29 members knew and were well informed, and have
30 been over many years, the reason for the loan
to the co-operative and the conditions under
which it was made, and there were no complaints
on that matter. Mr. Graham reminds me this is
a requirement of the Co-operative Credit Associations

request to hold any loans in 1957 when they arose.

There was certainly no indication from the bank in either of those years that the line of credit which we had worked out was not going to be available to us so that there was none of that indicated to us.

COMMISSIONER BROWN: It was just your own indication?

COMMISSIONER BROWN: It was just your own indication?

MR. ROBINSON: This was an indication in terms of trying to keep ahead of things and anticipate it. We were attempting in this way to guide them to watch these matters.

COMMISSIONER BROWN: When did you

get the information from the bank?

MR. ROBINSON: The only time we have

ever had this indication was in August, 1957.

We have never had an indication any other year of a line of credit being cut off by the bank.

COMMISSIONER BROWN: In that period of

the end of 1954 when you had this tighter money

as far as the bank is concerned, and you had

to cut down to your own credit union, was there

any complaint that you were cutting them down

on financing the loan to the co-operative?

MR. ROBINSON: No, none at all. The

members knew and were well informed, and have

been over every year, the reason for the loan

to the co-operative and the conditions under

which it was made, and there were no complaints

on that matter. Mr. Graham reminds me this is



1 Act, that if we have a loan to any member and
2 apply to that loan at that particular time a loan
3 in excess of 10 per cent of the shares and deposits
4 in the Central Credit Union we must advise our
5 members of that loan every three months -- the
6 size of the loan and amount of credit approved
7 and how much is out at that particular time.

8 This loan was in excess and was within the terms
9 of the Co-operative Credit Associations Act and
10 we were doing what we were required to do. They
11 knew and they had known for many years. You will
12 find in our report why we had this loan. It is a
13 seasonal loan; it is a loan in the winter season,
14 and it has been valuable.

15 COMMISSIONER BROWN: A seasonal loan in
16 so far as it increases but it apparently does not
17 get paid off at any time.

18 MR. ROBINSON: Oh yes, some years it will
19 be paid off.

20 COMMISSIONER BROWN: Schedule 27 -- it
21 got down to 200,000.

22 MR. GRAHAM: That is not the only
23 Co-operative loan.

24 MR. ROBINSON: No. He is talking about
25 the specific one.

26 COMMISSIONER BROWN: In other words,
27 this is almost a permanent loan.

28 MR. ROBINSON: This loan shown here is
29 a much larger loan in token that appears here.
30 This loan is split on a 50-50 basis with the
credit union, and we share this loan, or have
until very recently, on a 50-50 basis. There
will be periods of the year when we are not
exactly 50-50, so you will have a little of that

Act, that if we have a loan to any member and apply to that loan at that particular time a loan in excess of 10 per cent of the shares and deposits in the General Credit Union we must advise our members of that loan every three months -- the time of the loan and amount of credit approved and how much is out of that particular time. This loan was in excess and was within the terms of the Co-operative Credit Association Act and we were doing what we were required to do. They knew and they had known for many years. You will find in our reports why we had this loan. It is a seasonal loan. It is a loan in the winter season, and it is paid in summer.

It is as it increases but it is apparently does not get paid off at any time.

MR. ROBINSON: Oh yes, some years it will

get down to \$10,000.

MR. GRAM: That is not only

MR. ROBINSON: No. He is talking about

the specific one.

MR. ROBINSON: In other words, this is almost a permanent loan.

MR. ROBINSON: This loan shows here is a small larger loan in which that appears here. This loan is split on a 50-50 basis with the credit union, and we share this loan, or have equal very recently, on a 50-50 basis. There will be payment of the loan when we are not exactly 50-50, so you will have a little of that



1 showing here. But there will be times when we
2 have a bigger piece than the credit union.
3 So, I can't give you it exactly. You take 1961:
4 It certainly got down close to zero, and on June
5 30 it was \$200,000. Again, I haven't got the
6 detail of a month. For instance, this is the
7 last day of a month.

8 COMMISSIONER BROWN: These are quarterly
9 statements?

10 MR. ROBINSON: That is it. I am sure
11 in the last year, 1961, that it was quite low
12 for a period of two months of the year.

13 MR. GRAHAM: You will appreciate it is
14 a large corporation and this is their only
15 financing. Having regard to the size of the
16 organization and what is charged, it is very
17 nominal in connection with that loan.

18 COMMISSIONER LEMAN: In answer to a
19 question from Mr. Gibson you said you were not
20 using interest rates as your form of indication
21 of willingness to lend or astringency; that you
22 were using persuasion and indications, letters,
23 etc., and in an extreme situation a simple
24 refusal to loan; but in paragraph 27 (a) and (b)
25 your brief indicates that the matter of availability
26 of funds at certain rates would be a factor, yet
27 elsewhere in the brief you indicate that, in fact,
28 the credit unions keep all their surplus reserves
29 with the Central, and by the same token borrow
30 from the Central. That is a matter of fact.
Is it because you have made sure to keep competitive
either on the loan or borrowing side with them
in order to make sure they don't go outside?

MR. ROBINSON: We have kept our rates

...the same, but there will be some, when we

...I don't give you the exact. You take 1931:

...it certainly got close to zero, and on Jan-

...to was \$200,000. Again, I haven't got the

...of a month. For instance, this is the

...day of a month.

COMMISSIONER BROWN: These are quarterly

MR. ROBINSON: Mine is 10. I am sure

...the last year, 1931, that it was about 10%

...of the year.

MR. GRANT: You will appreciate it is

...and this is what only

...being used to the end of the

...it is very

...with the year.

COMMISSIONER BROWN: In answer to

...you said you were not

...of indication

...that you

...letters,

...single

...and (c)

...of funds

...of funds

...of funds

...of funds

...of funds

...of funds

...of funds



1 competitive in general with other rates existing
2 in the market. When we borrow money we have to
3 pay the prime rate for money, and obviously we
4 cannot let it go at less than that rate, and this
5 will have an effect on it. When the prime rate
6 goes up we have to increase our rate. On the other
7 side, on the matter -- when we do increase our
8 loan rate we will then very often increase and --
9 we now do -- gear the rate of interest which we
10 pay on term deposits to the fluctuation in our
11 loan rate. If there is a drop in the loan rate
12 the interest rate on term deposits drops. If the
13 prime rate goes up, we increase our rate and
14 interest on term deposits goes up.

15 COMMISSIONER LEMAN: Therefore, you have
16 used interest rates as part of the indicator,
17 haven't you?

18 MR. ROBINSON: Yes -- we haven't used
19 it as an indicator. I would say this has been
20 an indicator or will have had an effect on the
21 credit unions, on their business of lending.
22 They will find rates higher.

23 THE CHAIRMAN: It was not a policy
24 generated by you?

25 MR. ROBINSON: That is what I am saying.

26 THE CHAIRMAN: It was a policy which was
27 generated elsewhere and forced you to adjust your
28 interest rates accordingly?

29 MR. ROBINSON: That is right.

30 COMMISSIONER LEMAN: In other words,
the outside indicators pervaded into your field?

MR. ROBINSON: Yes.

THE CHAIRMAN: To that extent.

COMMISSIONER LEMAN: But actually,

competitive in general with other rates existing
in the market. When we borrow money we have to
pay the prime rate for money, and obviously we
cannot let it be at less than that rate, and this
will have an effect on it. When the prime rate
goes up we have to increase our rate. On the other
side, on the other -- when we do increase our
loan rate we will then vary often increase and --
we now do -- from the rate of interest which we
pay on our deposits to the rate which we pay

on our deposits. If the
rate on deposits goes up
the rate on deposits goes up

COMMISSIONER LEWIS: Therefore, you have

used the word "policy" as one of the reasons,

haven't you?

MR. ROBINSON: Yes -- the policy is

to be an independent. I would say that has been

an independent of which I have had an effect on

credit unions, on their business and so on.

They will find their rights.

THE CHAIRMAN: It was not a policy.

Generated by you?

MR. ROBINSON: That is what I am saying.

THE CHAIRMAN: It was a policy which was

generated of course and I want you to adjust your

MR. ROBINSON: That is right.

COMMISSIONER LEWIS: In other words,

the outside transactions payed into your funds

MR. ROBINSON: Yes.

THE CHAIRMAN: So that's correct.

COMMISSIONER LEWIS: But according



1 is there practically a policy on behalf of Central
2 and the League etc. to try and keep the system
3 as self-enclosed as possible except where the
4 Central goes out, and to keep the member unions
5 dealing through the Central with the outside
6 instead of going direct to the outside?

7 MR. ROBINSON: Yes, we try to keep
8 them with us.

9 COMMISSIONER LEMAN: Does that take
10 some persuasion, or not?

11 MR. ROBINSON: Not very much, no;
12 it takes very little persuasion. Our rates have
13 been competitive, and I think we give you a
14 schedule of the rates we have charged and have
15 paid for money, and in any comparison with these
16 rates you will find we have kept reasonably close
17 to those rates. We have looked upon this matter
18 a bit in this respect, that it is rather unfair
19 to credit unions to have the credit unions that
20 do not borrow penalized in earnings on their funds
21 as against the market in favour of the borrowing
22 credit unions, or the other way round, and therefore
23 we have tended to keep close to the market for
24 these reasons.

25 MR. McMASTER: Mr. Chairman, may I
26 state it in another way. It appears to me the
27 thing which has tended to adhere the credit
28 unions to the Central operation is the advantage
29 they see in having a common pool of funds among
30 credit unions providing they do operate at reasonably
close rates to what they might get if they went
to other sources. This is the motivating thing
which makes it necessary for Central to have
these people in mind. They want it created for



1 the purpose of pooling funds amongst them.

2 COMMISSIONER MACKINTOSH: The main
3 element of elasticity in the position of the
4 Central is really a line of credit with the
5 chartered banks?

6 MR. ROBINSON: Line of credit with
7 the chartered banks, and the fact our loans to our
8 members, to the credit unions, come from short-term
9 loans.

10 COMMISSIONER MACKINTOSH: They are always
11 being paid off?

12 MR. ROBINSON: Yes, we do give you a
13 schedule of the currency of the loans to credit
14 unions, and that will show you a very great percentage
15 of the loans repayable in one year or on demand
16 earlier than one year. This is a very definite
17 policy.

18 COMMISSIONER MACKINTOSH: On the other
19 hand, your investments are not particularly liquid?

20 MR. ROBINSON: Well, again, the schedule
21 of investments shows \$1 million is repayable
22 within one to five years, and we have a schedule
23 of investments of some \$400,000 of the investments --
24 well, I have the figures here. It is Schedule
25 17. Loans, as you will note, one to five years,
26 \$1,200,000, maturing one to five years. I have
27 broken that down here. In 1962, \$102,000, 1963,
28 nearly \$68,000; 1964 \$230,000; 1965 \$636,000;
29 1966 \$170,000. Of that \$636,000 in 1965, a
30 great part of that -- well, \$400,000 of that
are the B.C. Electric 5 per cent parity bonds
which are a very negotiable bond. So, we have
got again here in our investment portfolio a
short -- we keep, generally speaking, 50 per cent

the purpose of pooling funds amongst them.

COMMISSIONER MACKINTOSH: The main

element of elasticity in the position of the

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\$1,200,000, maturing one to five years. I have

broken that down here. In 1922, \$102,000, 1923,

nearly \$200,000; 1924 \$230,000; 1925 \$275,000;

1926 \$170,000. Of that \$230,000 in 1922, a

great part of that -- well, \$400,000 of that

and the B.C. Electric 5 per cent priority bonds

which are a very negotiable bond. So, we have

got again here in our investment portfolio a

short -- we know, generally speaking, 50 per cent



1 of our investment portfolio in one to five years.
2 So, we have both a high degree of currency of
3 our loans to credit unions, which seems to make
4 up most of them, and as you will note from the
5 Schedule it shows the amount of the liquidity
6 of Central. There is a schedule for that -- No. 21.
7 You will find there we have maintained -- this
8 particular schedule is the measure of the
9 liquidity reserve requirements of the Co-operative
10 Credit Associations Act. The actual liquidity
11 of Central itself is the actual position, and we
12 show the actual funds and how much they were
13 in excess and any occasion when they were short.
14 Schedule 21.

15 COMMISSIONER BROWN: What happens when
16 they are short?

17 MR. ROBINSON: Well, we are not permitted
18 to make any further loans until that has been
19 corrected.

20 COMMISSIONER BROWN: How do you get
21 short, then?

22 MR. ROBINSON: We get short because we don't
23 know what cheques the credit unions have drawn
24 on their accounts with Central.

25 COMMISSIONER BROWN: In other words,
26 it is withdrawals?

27 MR. ROBINSON: Yes, and they have an
28 established line of credit, where normally they
29 cover this, but unfortunately on a particular day
30 you don't know this, and you don't know as a rule
until the day after what the bank will be charging
to us. We don't know what they are going to charge
today until tomorrow. It is very difficult
sometimes just to keep up, and we endeavour always



So, we have both a high degree of security of
our loans to credit unions, which seems to me
up most of them, and as you will note that the
bondholders receive the amount of the liability
of General. There is a schedule for that -- 10, 20,

liability reserve requirements of the Co-operative
Credit Association Act. The actual liability
of General is not in the actual position, and
then the actual funds are how much they want
in excess and are concerned with that matter.

General:

MR. ROBINSON: Well, we are not going to
be under any further loan until that has been

MR. ROBINSON: How do you feel

MR. ROBINSON: We are about to have
know what changes the credit unions have done

MR. ROBINSON: In other words,

is it understood?

MR. ROBINSON: Yes, and they have an

established line of credit, where normally they
cover this, but unfortunately on a particular day
you don't know this, and you don't know as a rule
until the day after what the bank will be changing
to us, we don't know what they're going to change



1 to keep ahead. Schedule 15 shows the currency.
2 That goes back over the last three years, you
3 will notice. \$700,000: All the credit union
4 loans in that \$700,000 were repayable either
5 in 1962 or on demand, and those on demand were
6 all on agreement which will terminate in any event
7 within 12 months from when the agreement was made.
8 You will note also, as far as the loans, there
9 is \$1,800,000 of those repayable on demand.
10 I grant you, you can demand and it may take you
11 a year to get your money.

12 COMMISSIONER LEMAN: I am sorry to jump
13 from one brief to the other here, but your Counsel
14 nearly invited us to do that. In the League brief
15 there was a reference in paragraph 81 to the
16 effect that it seemed to be the policy of the
17 group -- and perhaps they were speaking for you
18 there instead of for themselves -- to try to
19 use just the system's pool of funds and only
20 go outside for seasonal peaks, in effect -- at
21 least, that is the way I read the paragraph: Yet,
22 when we go to your submission, Schedule 21 on page 3,
23 I get the impression that although there has been
24 much fluctuation in the amount borrowed by the
25 Central fund banks, it does not to me indicate
26 absolutely a seasonal peak. It seems to be fairly
27 regularly the amount borrowed at the end of quarters
28 right through, except for a few exceptions.

29 MR. ROBINSON: Well, I would suggest --
30 yes, but there will be an additional factor
31 creating some of these borrowings. One will be
32 that we have greater investments in bonds than we
33 require for our liquidity reserve. There will
34 be occasions when we will borrow rather than sell



to keep ahead. Schedule 15 shows the currency.

That goes back over the last three years, you will notice. \$700,000. All the credit union

loans in that \$700,000 were repayable either

in 1925 or on demand, and those on demand were

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yes, but there will be an additional factor

erecting some of these borrowings. One will be

that we have greater investments in bonds than we

require for our liquidity reserve. There will

be occasions when we will borrow rather than sell



1 the bond. This will happen, and this will therefore
2 on occasions show borrowings from the bank when
3 we did not really need them, except it was more
4 profitable -- a better business transaction to
5 borrow for a short period of time than to sell
6 the investment. I think, though, that clearly
7 the graph here on Schedule 14 does show the very
8 seasonal nature of the funds of Central and truly
9 pictures the situation in the credit unions.
10 Having in mind the correction of the two little
11 squares up above, and the fact the horizontal
12 lines represent the periods when we were borrowing
13 from outside, and the others representing the
14 periods when we had surplus funds, you will note
15 every year that the summer period is the period
16 when we would clearly be in debt, and that period
17 will extend somewhere between May and October.
18 I could have gone back to a lot of earlier years
19 and shown again exactly the same situation. So,
20 there is not quite the same comparison between
21 what happens, because of this other factor.

22 COMMISSIONER LEMAN: Perhaps the wording
23 of paragraph 81 that I referred to should be just
24 a little bit watered down?

25 MR. McMASTER: I think, Mr. Chairman,
26 with regard to the wording of paragraph 81, what
27 Mr. Robinson is now saying is that if you look
28 at Schedule 14 you will find there are actual
29 periods of the year when there is a seasonal
30 peak of borrowing. On the other hand, there are
seasons of the year when there is a surplus of
funds. What is endeavoured to be done through
the pool to make the maximum use of it is to
have that surplus at work, often in loans to



1 co-operative organizations, which may have balancing
2 peaks and seasonal demand, to try and keep it
3 working. To keep it working at the maximum there
4 must be some borrowing brought into it, but it
5 is only for the purpose of keeping the credit
6 union funds at maximum use that they go outside.

7 COMMISSIONER LEMAN: Yes. The sentence
8 I refer to starts with, "It is only when ...",
9 but then the saving grace is "as a rule" a little
further down.

10 MR. McMASTER: Yes, I think that is the
11 saving grace.

12 COMMISSIONER MACKINTOSH: Has the credit
13 union Central sought credit outside of the chartered
14 banks -- on the street?

15 MR. ROBINSON: We have not sought credit
16 on the street, but the street has sought us out.
17 We haven't made any arrangements to date of
18 any sort to go outside. One is tempted by the
19 extra one per cent or so that exists as between
outside and the prime bank rate.

20 COMMISSIONER MACKINTOSH: I take it
21 the assurance of a line of credit helps you resist
22 the temptation.

23 MR. ROBINSON: Oh, yes. I have a little
24 feeling that maybe we have a very positive demand
25 period here, but we haven't sought it. We have
been quite happy.

26 COMMISSIONER GIBSON: I am looking at the
27 statement -- earnings: There is a provision for
28 dividend for 1961 of \$65,000. How is that dividend
29 allocated? Does it go to the people who put
30 funds with Central in proportion to the funds --
do the borrowers get it?

peaks and seasonal demand, to try and keep it working. To keep it working at the maximum there must be some borrowing brought into it, but it is only for the purpose of keeping the standard union funds at maximum and that they go outside.

I refer to certain things, "It is only when..."

MR. ROBINSON: Yes, I agree that in the leaving process.

COMMISSIONER WATKINS: The fact that the union cannot accept credit outside of the standard is on the ground.

MR. ROBINSON: I am not sure about that on the subject, but the union has no money out. We have to make very arrangements as to get any sort of go outside. One is limited by the extra cost of it and on the fact that it is outside and the other part of it.

COMMISSIONER WATKINS: I am not sure the company of a line of credit is not a very good thing.

MR. ROBINSON: Oh, yes. I have a little feeling that we have a very positive period here, but we must remember that we have some other things.

COMMISSIONER WATKINS: I am looking at the statement -- a change: There is a provision for dividend for 1951 of \$65,000. Now, if that dividend is to be paid to the people who have



1 MR. ROBINSON: No, this is a dividend
2 on share capital. This is the share capital
3 existing at the year end for the period of time
4 from the time it was set up until the year ends.

5 COMMISSIONER GIBSON: So there is no
6 extra payment that would, in effect, reduce
7 the interest rate that the borrowers are paying?

8 MR. ROBINSON: There is no patronage
9 refund; we haven't been paying a patronage refund.
10 We have been placing it nearly always into reserves --
11 in building our reserve fund.

12 COMMISSIONER LEMAN: Mr. Robinson, there
13 is another area of intention in the brief here
14 that puzzles me. I am not saying anything is
15 wrong with the way it is expressed and this came
16 up this morning when we were talking to the League.
17 You make a point of claiming that the whole system
18 has a stabilizing influence on the economy. I
19 admit the word "stabilizing" is subject to
20 different interpretations. There are technical
21 ways of using the word and other ways. Do you
22 use it in the sense that having savings it has
23 a stabilizing influence or would you explain it?
24 You can see what the Commissioners are probing for
25 here, this matter of sensitivity to monetary policy.
26 In that later technical sense is it consistent
27 to say that this has a stabilizing influence
28 when the credit unions themselves tell us that
29 at times of adversity -- and we did not define
30 adversity too well this morning -- that they would
have to increase their reserves; in other words,
they would have to be a little tougher about loans
to members? You used the words at one point of
your brief here that there is a relationship



1 of employment to your activities. In a sense,
2 that could be de-stabilizing, couldn't it? It
3 could work against the counter-cyclical efforts?

4 MR. ROBINSON: My own personal feeling
5 is that within credit unions in as much as they
6 are dealing with ordinary people the effects
7 of employment are felt very strongly in the
8 credit unions and among the members. As an
9 example, the credit unions that serve I.W.A.
10 Union people in this province, as soon as a
11 poor lumber market is likely conditions of unemploy-
12 ment will tend to build up their reserves -- well,
13 not build up their reserves but curtail their loans
14 so that they will have a higher degree of liquidity
15 and they will tend to do this because as an
16 individual you are sensitive to what may happen
17 and do not want to have any obligations.

18 In that sense it would follow, it seems
19 to me, that this conservative attitude will be
20 there and some method will have to be found to
21 get over it and it is not got over by saying:
22 "Oh no, the loan will come". The same thing
23 has applied in a strike situation where a credit
24 union is faced with a strike. They will assist
25 their members but you have almost got to be
26 put on a mean's test to get any money for that
27 strike period. They will preserve their funds.
28 It is inherent with ordinary working people.

29 COMMISSIONER BROWN: Yet this is the
30 time when they really need the money available
to make loans?

MR. ROBINSON: They will make loans.
They have to but not to buy an automobile but
for real need of living, not for any luxuries.



1 You can use your car for another year or two
2 more years if you have to and you do not have to
3 have a refrigerator so they are careful with
4 their loans for this reason. This tends to be
5 the situation with many of the people, working
6 people.

7 COMMISSIONER LEMAN: Would it be fair to
8 say then that you do not use the word "stability"
9 here in the sense of counter-cyclical?

10 MR. ROBINSON: No, I would be more inclined
11 to say they could ordinarily work with their own
12 group of funds. They do not go out on a great
13 big binge to get money to loan or go out on a
14 big programme to try and make loans.

15 THE CHAIRMAN: Is there any information
16 here as to the amount of dividends that are paid,
17 what amount, say, for a year?

18 MR. ROBINSON: By the credit union itself?

19 THE CHAIRMAN: Yes, those would be paid by
20 the credit unions themselves of course?

21 MR. ROBINSON: Yes.

22 THE CHAIRMAN: It would not be by you?

23 MR. ROBINSON: No.

24 MR. GRAHAM: There may be something
25 in the Survey. I think there is a section on the
26 actual flow of funds.

27 THE CHAIRMAN: I would rather like to look
28 at that. If you can at a convenient time let me
29 have the page. There is no hurry about that.

30 MR. ROBINSON: No, but there is nothing
in our brief at all.

MR. McMASTER: At page 62 I think of the
Schedule, Mr. Chairman.

MR. GRAHAM: If it is not there, it is one



1 very close to that. 62 shows the increase in
2 retained earnings but I do not think that quite
3 does it. If you might go on I might perhaps come
4 across that.

5 MR. ROBINSON: I have been informed that
6 last year the payments of dividends amounted to
\$2 million.

7 THE CHAIRMAN: Last year?

8 MR. ROBINSON: Yes, in 1961.

9 THE CHAIRMAN: \$2 million?

10 MR. ROBINSON: \$2 million.

11 COMMISSIONER BROWN: There is one statistic
12 that seems to be missing in all these tables,
13 a consolidation of all the individual earnings
14 or a consolidated basis of all the earnings of
all the unions.

15 MR. McMASTER: Mr. Chairman, we will
16 be filing an answer to the questionnaire which
17 the Research Committee, the advisors to the
18 Commission have sent out, a consolidated financial
19 statement for several years for all the credit
unions.

20 COMMISSIONER BROWN: Will this be for
21 the whole of Canada?

22 MR. McMASTER: No, for British Columbia
23 and then presumably we will have to do the job
24 for the whole Canadian scene.

25 COMMISSIONER BROWN: It will just be
26 duplication if I ask for it again?

27 MR. McMASTER: Yes, I think you can be
28 sure that it will go in in that way.

29 COMMISSIONER BROWN: On Schedule 27
30 where you give the monthly borrowings by individual
credit unions for 1960 it would appear from this



1 that there are several credit unions that have
2 loans at all times. Is this correct?

3 MR. ROBINSON: Yes, there will be some
4 credit unions -- and I noted that in the brief too --
5 that there will be some credit unions that will
6 be in debt a number of years. Some of these
7 are in rather young growing communities and a stabilized
8 economy area. I can think of one right now attached
9 to the West Kootenay area, a new community, relatively
10 new. The community is growing and there is need
11 all the time for these people to have new homes,
12 fix their homes and that sort of thing, and this
13 credit union is meeting the needs of their own
14 people. That is an example of the sort of thing.
15 It will be related to the local needs of the people,
16 that kind of thing.

17 COMMISSIONER BROWN: Do you gear them
18 to a plan so that at some stage they get onto the
19 plus side?

20 MR. ROBINSON: We try our persuasive
21 arguments without curtailing them too much. We do
22 encourage them to get out of debt part of the time.

23 COMMISSIONER BROWN: So that it is on a
24 seasonal basis?

25 MR. ROBINSON: Our advice to them will be
26 to reduce their borrowings at the more slack season.
27 It is not always followed but our advice to them
28 will be this. The very one I spoke of, I have on
29 many occasions suggested that it would be much
30 better from this credit union's standpoint to
reduce the borrowings somewhat but they say: "But
the need is so great among our people just to have
homes". I can only surmise at this point that
I would believe it is likely difficult to get mortgage



1 money to establish homes and it is our people
2 who are in the main watching out for these basic
3 needs like a home.

4 THE CHAIRMAN: This is another question
5 that applies to the credit unions rather than
6 to you, I suppose, but perhaps I can put it because
7 I am rather interested in it at the moment. If
8 any credit unions decide to hold back dividends
9 for a time with a view to increasing their
10 liquidity are they under any obligation?

11 MR. ROBINSON: It would be holding back,
12 not making the loan.

13 THE CHAIRMAN: If they paid it out in
14 dividends the money is gone.

15 MR. McMASTER: I would think with the
16 rate of return on deposits and the rate of dividends
17 and having regard to the amount of the average
18 loan it would indicate that the dividend factor
19 is not an incentive factor for people to be in
20 credit unions. On the other hand, if you withhold
21 absolutely the dividend for an unreasonable period
22 of time this would then, I understand, be reflected --

23 THE CHAIRMAN: I am just looking at it
24 as a possible source of further liquidity if you
25 decided at any point that you needed it. There
26 is somewhat of a cushion there, in other words,
27 is that right?

28 MR. McMASTER: Yes, that would be right.
29 Directors recommend the dividend to be paid and
30 the annual meeting approves it but they cannot
approve anything greater than the directors
recommend.

THE CHAIRMAN: But if the directors
decided it would be prudent to hold back some of

... to the ... of the ...
... who ... the ...

... the ...
... that ...
... to you, I ...
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... Mr. ...
... Director ...
... the ...
... approve ...
... recorded.



1 that they could declare a dividend of any amount
2 they liked?

3 MR. McMASTER: That is right, or no
4 dividend.

5 MR. ROBINSON: May I ask -- liquidity,
6 were you thinking of the need to pay out cash
7 for the dividends?

8 THE CHAIRMAN: It all depends what the
9 situation is at the moment.

10 MR. ROBINSON: You see, the dividend on
11 share capital in a credit union is usually credited
12 directly to the members' share accounts. This
13 is the general thing, so that there is not an
14 outlay of cash as such. This would not affect
15 the building of reserves, by reserves I mean
16 guaranteeing. Since it is not paid out in cash
17 obviously it will have no effect on the liquidity
18 reserves, the liquid funds of the credit union
19 as against the guarantee reserve.

20 COMMISSIONER LEMAN: Is there a tendency
21 for these to be drawn out or left in?

22 MR. ROBINSON: As a rule they are left in.

23 THE CHAIRMAN: They are normally put back
24 in?

25 MR. ROBINSON: Well, what the Central
26 credit union does, they pay them cash, but the
27 credit union will pay it by credit to the members'
28 share accounts and most members will leave it there.

29 COMMISSIONER MACKINTOSH: How far are
30 the local credit unions guided by Central or
how far does Central take the responsibility for
that? If Central does not pay them these dividends
these individual bodies cannot make use of that
money.



that they could declare a dividend of any amount
they liked?

MR. WHEATON: That is right, or no

dividend.

MR. ROBINSON: Why I ask -- I thought

were you thinking of the need to pay out cash
for the dividends?

THE CHAIRMAN: It all depends what the

situation is at the moment.

MR. ROBINSON: You see, the dividend on

share capital in a credit union is usually credited

directly to the members' share accounts. But

as the general thing, so that there is not an

outlay of cash as such. This would not affect

the building of reserves, by members I mean.

Interesting. Since it is not paid out in cash

obviously it will have no effect on the liquidity

reserves, the liquid funds of the credit union

as against the purchased reserves.

COMMISSIONER BROWN: Is there a tendency

for these to be drawn out or into it?

MR. ROBINSON: As a rule they are into it.

THE CHAIRMAN: They are normally into it.

Yes.

MR. ROBINSON: Well, that is correct.

credit union dues. They pay them cash, but the

credit union will pay it by credit to the members.

share accounts and most members. It is in fact

COMMISSIONER BROWN: Now how are

the local credit unions funded by members or

how far does general law and responsibility for

share? If general does not pay them these dividends

these individual bodies cannot make use of it.



1 MR. ROBINSON: I guess our role would
2 be advisory and encouraging because it is a voluntary
3 system and voluntary membership. They seek our
4 advice very frequently, asking what they should
5 do, what is good policy at this time, what is
6 the sound policy. They will do this both with
the League and with Central.

7 COMMISSIONER MACKINTOSH: Thank you.

8 COMMISSIONER LEMAN: If we might talk
9 for a minute about the checking privileges.
10 The brief talks about the system and explains it
11 quite clearly and then it also explains the
12 arrangements that have been made with the banks for
13 clearing. I think I can detect a little touch of
14 complaint there but no definite recommendations.
15 Are there recommendations or true complaints that
the League or the Central would like to register?

16 MR. ROBINSON: These will be dealt with
17 in the national briefs. It is intended that they
18 will be there dealt with.

19 If there is any sort of complaint appearing
20 here I guess it is a sort of general feeling one
21 has and is maybe expressed a little bit here and
22 that is we pay both ways when cheques are handled.
23 We sort the banks' cheques and we pay the bank to
24 take them from us. They give us a great big wad
25 of our orders, as we call them, and they give us
26 ours in a great big gob and we have to sort our
27 own out and we have to pay that way too. We feel
28 we are doing double work so in this sense we
29 have a feeling of it being a little heavy on our
30 side having to pay. But the matter of clearing
and the general matter of clearing in a broad
sense will be discussed -- this was worked out

MR. ROBINSON: I would not like to

be advisory and encouraging because it is a voluntary system and voluntary membership. They need not advise very frequently, asking that they should do, what is good policy at this time, what is the sound policy. They will be able to do with

COMMISSIONER ROBINSON: Thank you

COMMISSIONER ROBINSON: It is not his

for a minute about the clearing privileges.

The chief talks about the system and explains it

quite clearly and then he also explains the

arrangements that have been made with the banks for

clearing. I think I can detect a little touch of

compliment there but we certainly recommend it.

Are there recommendations or two complaints that

the League of the Council would like to register?

MR. ROBINSON: There will be doubt about

in the national press. It is intended that they

will be there daily with

It seems to me that it is a very important question.

Now I guess it is a matter of central banking and

has not to be expressed a little bit in the

that is we pay more than others and we are

is not the same charges and we pay the same to

take them from us. They have a great deal of

at our expense, as we call them, and they give us

ours in a great big bag and we have to hand out

our out and we have to pay that way too. We feel

we are doing a little work in this sense we

have a feeling of it being a little heavy on our

side having to pay. But the matter of clearing

and the general matter of clearing in a group

there will be discussed - this was referred to



1 at the national level a few years ago and will
2 be the subject of a brief at that time.

3 COMMISSIONER LEMAN: But this is the
4 area where you are getting close to one of the
5 functions of the bank system?

6 MR. ROBINSON: You see, the credit
7 unions have their deposit accounts with Central.
8 When they want to draw on their accounts they
9 issue a cheque or an order upon the Central
10 credit union and this token of making a deposit
11 account available for immediate withdrawal is a
12 technical service. The same credit union in its
13 ordinary deals would naturally still do this if it
14 wants to provide its service for its own members
15 but these orders have to come through Central and
16 we have the job of sorting and distributing these
17 items and we have undertaken with the chartered banks
18 to do this on behalf of the credit unions.

19 COMMISSIONER LEMAN: When you refer to
20 what you call primary items and secondary items?

21 MR. ROBINSON: The primary are the ones
22 with the credit union and the secondary are the
23 ones with the members out of their credit union.

24 COMMISSIONER LEMAN: The difficulty is
25 with the secondary item level, isn't it?

26 MR. ROBINSON: Well, in our agreement
27 with the bank, this is a distinction within our
28 own organization, not an item -- I think the basic
29 distinction is in the schedule of charges through
30 our agreement with the bank. They do not distinguish
them. They are both orders upon credit unions.

MR. GRAHAM: Certainly, Mr. Chairman, it
was indicated at the time we were negotiating
with the banks that perhaps the only thing where

at the national level a few years ago and will
be the subject of a brief at that time.

COMMISSIONER LEWIS: But this is the
area where you are getting close to one of the
functions of the bank system?

MR. ROBINSON: Yes, yes, the credit
unions have their deposit accounts with Federal.
When they want to draw on their resources they
issue a check or an order upon the Federal
credit union and this token of making a deposit
account available for immediate withdrawal is a
technical service. The same credit union in its
ordinary deals would naturally still do this as it
wants to provide the service for its own members
and these orders have to come through Federal and
we have the job of routing and distributing these
orders and we have worked with the Federal bank
to do this on behalf of the credit unions.

COMMISSIONER LEWIS: When you make
what you call primary items and secondary items,
MR. ROBINSON: The primary and the secondary
with the credit union and the secondary are the
ones with the members one of their credit union.
COMMISSIONER LEWIS: The difference is

MR. ROBINSON: Well, in our agreement
with the bank, this is a distinction within our
own organization, not an item -- I think the distinction
is in the schedule of charges through
our agreement with the bank. They do not distinguish
them. They are both orders upon credit unions.

was indicated at the time we were negotiating
with the bank that perhaps the only thing that



1 we were competing was in connection with savings,
2 not the issuing of orders or where the savings
3 were directed to shares but the very fact that
4 we were directing savings to the credit union
5 they were looked at rather jealously.

6 They thought they might be something else. So I
7 think at a very high level the issuing of an order
8 except that it created a cash saving account of the
9 credit union was not really competitive with the
10 bank and we just naturally I think through the
11 years associated checking with banking but I do
12 not think necessarily that this is confined to that.
13 However, as Mr. Robinson says, it may be treated
14 with later.

15 COMMISSIONER LEMAN: What is the relative
16 volume of primary items as compared with secondary?
17 I would think secondary would be much larger.

18 MR. GRAHAM: In British Columbia again
19 it is not a large area. You may have thought of
20 other parts of the country but in British Columbia
21 it is not a large item.

22 MR. ROBINSON: I indicated there was
23 66,000 or more such number of orders in British
24 Columbia in a month. This is in one of the
25 Schedules here. I will find it for you. In the
26 month of December there were 66,000 orders. As a
27 number of items it is not a big order. By far
28 the greater portion of this -- and I cannot give
29 you figures at the moment -- will be the secondary
30 ones.

31 COMMISSIONER GIBSON: Have various
32 types of savings bonds, federal and provincial,
33 proved strong competition for saving credit union
34 members?



1 MR. ROBINSON: Not consciously within
2 the movement. As you would appreciate, Canada
3 Savings Bonds, for instance, are sold in so
4 many plants on a definite campaign basis -- payroll
5 deductions and that sort of thing -- and to that
6 extent it is competitive to savings. But it has
7 not been felt as a knowledgeable field.

8 ---- Short Recess.

9 COMMISSIONER GIBSON: I have one question,
10 Mr. Chairman: The National Central, which is
11 incorporated under the Federal Act, is in your
12 brief at page 13, and it is indicated that it is
13 not very useful because of restrictions in the law.
14 Would you mind elaborating on that point?

15 MR. ROBINSON: Again, this is one of
16 one of the items that will be dealt with at the
17 national level, in as much as Canadian Credit
18 Societies will be providing a brief of its own
19 in conjunction with the National Association of
20 Canadian Credit Unions; so that this matter will be
21 referred to at that time, but ---

22 COMMISSIONER GIBSON: But you have expressed
23 an opinion on it, and it arouses interest.

24 MR. ROBINSON: Yes. There are restrictions
25 within that organization as to the size of loans
26 it can make to any one member, the size being
27 that a loan cannot exceed 10 per cent of the shares
28 and deposits unless it be secured by government
29 bonds. As you will appreciate, in the financial
30 statement of that organization it has \$1, 100,000
in paid up capital and not much in the way of
deposits. So, the loan to any one member
organization can be \$110,000, and right away



1 that is a tremendous restriction within that
2 organization. The Act, again, does not permit
3 the Centrals to deposit any of their liquidity
4 reserves, so that it cannot accept any of this
5 kind of money from the provincial Centrals. These
6 are two of the types of restriction.

7 COMMISSIONER GIBSON: So, as it is
8 presently set up it is more of a national forum
9 than it is an operating Central union?

10 MR. ROBINSON: It is not a true operating
11 Central. It has been able to lend us money, as
12 noted again from another schedule in the brief.
13 It has lent us up to \$700,000, but we have put
14 up government bonds as security for those funds.
15 These are in excess of 10 per cent, but the loan
16 has been made on the basis of the market value
17 of the bonds we have put up. So, the funds used
18 for that loan have come from one of the other
19 provincial Central's members of it.

20 COMMISSIONER GIBSON: Is the form that
21 the National Central has taken a reflection of the
22 feelings of the various provincial Centrals, or
23 has it simply taken that form because of the
24 restrictions in the law? In other words, do you
25 think more in terms of the provincial Central
26 than in terms of the National Central?

27 MR. ROBINSON: Do we?

28 COMMISSIONER GIBSON: Yes -- in the
29 credit union movement.

30 MR. ROBINSON: I think the credit union
movement wanted to see here an effective instrument
to be used by the credit unions, and therefore they
do think towards, and would think towards having
a national financial organization of this sort --



1 a pool of funds nationally. The Act just was,
2 after all, a creature of the government in the end.
3 It provided other factors -- as Mr. McMaster
4 mentioned, it was providing an umbrella, and it
5 was in this context of providing an umbrella
6 that the restrictions got into that Act, and they
7 became very difficult. We made representations
8 to have some of them removed, and they are being
9 listened to, but that is as far as it has gone.

10 MR. McMASTER: At the moment there is
11 some indication there may be some interesting
12 results of this Commission as to what consideration
13 may be given to that.

14 COMMISSIONER LEMAN: Is it at that level
15 that the concept of the common loaning association
16 has been a little hesitant?

17 MR. McMASTER: I think, actually, the
18 concept of common bond is one that relates to the
19 credit union level at the provincial level,
20 and centrally it has a concept really of a common
21 philosophy or common way of going about doing things
22 that cements Central together, and this could be
23 true nationally. Having regard to the fact that
24 you are starting off from local automous bodies
25 and working up to a national level is what is true
26 in many financial institutions where it has a
27 national body to begin. The problems of transportation
28 and communication in Canada are such that the building
29 of such an instrument by the credit unions is a little
30 more complicated on a national level than on a
provincial level.

COMMISSIONER LEMAN: I would like to ask
Mr. Robinson another question. I note that there
are quite a few managers of credit unions on the



1 board of the Central.

2 MR. ROBINSON: Yes.

3 COMMISSIONER LEMAN: It is the large
4 part of the board, as a matter of fact. Does
5 that have any bearing on the fact these credit
6 unions do borrow from the central body? Are their
7 policies related to the fact that this situation
8 exists?

9 MR. ROBINSON: Not at all. The directors
10 are chosen by the membership at annual meeting,
11 and the selection of directors -- there is a
12 nominating committee who will nominate certain
13 persons, but the election has no bearing whatsoever
14 upon the size or business done or anything of that
15 sort, with respect to Central. The fact, I think,
16 many of them are managers of credit unions is
17 that their full time occupation is within the
18 credit union movement, and the operation of the
19 Central credit union is rather -- it is part of
20 their living and part of their life within them.
21 I think maybe to the membership at large there
22 is the feeling they are maybe more closely
23 associated with the financial operation and,
24 therefore, be picked for directorship in Central --
25 from that basis and not from any other.

26 COMMISSIONER BROWN: This is a development
27 along the lines sometimes used as a basis for
28 criticism of boards of directors and management
29 in financial and industrial operations -- namely,
30 a professional management.

MR. ROBINSON: Well, there is that same
concern within the movement too, that they don't
want to see the Central credit union get into
the hands of certain credit unions. This is a



Board of the General

Mr. ROBERTSON: Yes.

COMMISSIONER: It is the fact that

part of the board, as a matter of fact, that

that have any bearing on the fact that credit

unions do better than the general body? The thing

collected related to the fact that this situation

exists

MR. ROBERTSON: Yes, sir. The situation

is changing by the time that it is brought to light

and the situation of affairs -- there is a

change in the situation

person, but the situation has no bearing on the

upon the fact of the situation, and the

some, which is the case. The fact, I think,

many of the credit unions, as

that that fact is the situation in which the

credit union movement, and the situation of the

General credit union is now -- it is part of

their living, and part of the life of the

I think it is the relationship of the

to the fact that the situation is

the fact that the situation is

the fact that the situation is

the fact that the situation is

COMMISSIONER: What is the situation

along the lines of the

situation of the credit unions and the

in financial and commercial operations -- namely,

a professional organization.

MR. ROBERTSON: Well, there is the fact

concern with the movement too, that they don't

want to see the General credit union go into

the hands of credit unions. That is



1 very keen concern and is being watched by the
2 movement. The credit union movement in general
3 at convention time are quite conscious of this
4 and make their decision with that in mind. So,
5 they know this is there. There is no hard and
6 fast rule to move towards one or the other.

7 MR. LUCAS: I would like to suggest
8 that the board is very conscious of this particular
9 aspect and that when nominations for new directors
10 come forward they are very, very closely, with
11 that thought in mind, retaining if at all possible
12 a balanced board.

13 COMMISSIONER BROWN: In many cases these
14 people are not eligible for directorship within
15 their own credit union?

16 MR. LUCAS: No. They are eligible as
17 a general rule for directorship in some credit
18 unions. If they are a manager, no, they are not
19 eligible.

20 COMMISSIONER BROWN: They are eligible
21 as a director for the Central?

22 MR. LUCAS: That is correct, yes.

23 MR. ROBINSON: And treasurers, while
24 they are eligible to be directors of their own
25 credit unions, ordinarily they are not, and the
26 general recommendation is that they should not be;
27 but, it may happen.

28 MR. GRAHAM: The Survey Report indicates
29 there is very little of that, and in the Survey
30 Report the recommendation is strongly against
these people being members of the Board of
Directors.

MR. ROBINSON: There is always a strong
concern within the movement that there should not



1 be too much of that sort of professionalism,
2 and it should belong to the members, and they
3 should express themselves, and I think this has
4 occurred at our meetings in the election of directors
5 without any of the items you suggest.

6 COMMISSIONER LEMAN: The fact the credit
7 unions are represented heavily on the board of
8 Central is the concept that it is a democratic
9 process and, therefore, the member unions must be
10 represented through someone; is that it?

11 MR. ROBINSON: The only way you are going
12 to have -- well, the way we select directors for
13 Central is that at our annual meeting each credit
14 union is permitted to send one delegate to attend
15 the annual meeting, and those delegates in attendance
16 at annual meeting will vote for the directors.
17 There is a revolving directorship: Twelve directors,
18 four revolving each year. So, the credit unions'
19 membership in Central at annual meeting is
20 expressed by the delegate whom they send to the
21 meeting, and he on behalf of them expresses the
22 choice as to who will be directors and what will
23 be policy. So it is, therefore, not related at all
24 to size at any time of the member. It is related
25 to the ability to express, to give guidance,
26 and give good questioning -- everything at an
27 annual meeting. The way a person will express
28 himself at an annual meeting is often a strong
29 guiding factor. Certainly, it will not be because
30 he happens to come from credit union ABC which
is the biggest in the province, or that he comes
from the smallest one.

31 COMMISSIONER BROWN: Is there a tendency
32 at all -- and in certain circumstances one can see a

be too much of that sort of provincialism,
and it should belong to the members, and they

occurred at our meetings in the election of directors,
without any of the items you suggested.

COMMISSIONER BROWN: The first of the

unions are now working heavily on the basis of
General in the contract that it is a democratic
union and, therefore, the member unions must be
represented through someone; in that way
Mr. ROBINSON: The only way you can bring

to the annual meeting of each union
union is permitted to send one delegate to the
annual meeting, and those delegates in attendance
at annual meeting will vote for the directors.

There is a revolving directorship: twelve directors,
four revolving each year. So, the entire union

participates in General as annual meeting in
service and by the delegates whom they send to the
meeting, and in on behalf of them expenses the
meeting is to be paid by the directors and what will
be paid. So it is, therefore, not related at all
to the union of the members. It is related

to the ability to express, to give guidance,
and give good questioning -- everything as an
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himself in an annual meeting is often a person
acting factor. Certainly, it will not be beyond

it happens to come from credit union ABC which
is the biggest in the province, or that he comes

from the smallest one.

COMMISSIONER BROWN: Is there a boundary

to the union -- and in certain circumstances one can see



1 danger of it developing -- whereby such a director,
2 who is a full-time employee of credit union A,
3 might tend to represent the viewpoint of credit
4 union A on the Central board rather than looking
5 at the whole picture?

6 MR. ROBINSON: I suppose this can happen,
7 but I may suggest that we continually -- and I
8 should perhaps ask the president to answer this
9 sort of question -- but it is put to our electors
10 every year after the annual meeting that they
11 now cease to represent the organization from which
12 they came; they represent the union as a whole
13 and their election has been by all the membership
14 of credit unions. This is said to them every
15 year and has been expressed in our directors'
16 report to annual meetings on more than one occasion.
17 So, we keep this idea very much in their minds.

18 COMMISSIONER LEMAN: It is from another
19 point of view I was thinking of the same problem,
20 but in a slightly different way. The manager
21 of a local credit union who is not on the board
22 of that credit union, through his membership in
23 the superior body, if I may call it that, may
24 develop a more dominating position in his own
25 credit union -- could not he? -- through his
26 knowledge of what goes on through the whole
27 system etc.? I don't think this influence is
28 there. I have no knowledge of it being there.
29 All I can say is, I haven't seen this sort of
30 thing happening. Our experience so far has not
indicated this to happen.

MR. McMASTER: It would be perhaps fair
to say that he may become a more knowledgeable
official himself by reason of the experience



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Nethercut & Young

Toronto, Ontario

1 of dealing in broader areas than he would in his
2 own organization. The actual operation of
3 Central, while on the same principles, is really
4 dealing with a different level than his own
5 organization. It is dealing with corporate bodies
6 only, whereas in his own credit union he is
7 dealing with people -- individual members.

8 COMMISSIONER BROWN: On the same line,
9 in the discussion of a loan application from a
10 member credit union who is represented on the
11 board of the Central, is there any policy with
12 regard to such loan applications? Is he debarred
13 from the meeting?

14 MR. ROBINSON: Now in the Central the
15 board of directors has set up a credit officer,
16 a credit officer being a manager -- myself --
17 and have delegated to him the matter of approving
18 loans to credit unions within a certain framework
19 as to the size of loan. So, it does not become
20 a subject of discussion as such at a board meeting.
21 There is a credit committee in addition to the
22 credit officer, which is chosen by the board, and
23 our credit committee consists of five persons:
24 three from outside the board, and two from the
25 board. So, you are not going to have in the
26 ordinary way influencing in any way.

27 COMMISSIONER BROWN: Say an application
28 for a loan comes up from a union which is represented
29 by one of those two?

30 MR. ROBINSON: You participate in the
discussion but will ordinarily refrain from voting
on the matter. If there was to be a question on
the matter he would refrain, and be expected to
refrain by his fellow members. But, this has



of dealing in the same way as when it was in the
 own organization. The actual operation of
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 organization. It is dealing with corporate bodies
 only, whereas in the case of credit union it is

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 a credit officer, that is, a member -- agreed --
 and have delegated to him the matter of approving
 loans to credit union. It is a credit officer who
 is to the credit of loan. So, it does not seem
 subject of discussion as much as a board meeting.

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 credit officer, which is chosen by the board, and
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 three from outside the board, and two from the
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 by one of those two?

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 on the matter. If there was to be a question on
 the matter, it would remain, and be expected to
 remain by the other members. But, this is



1 not been a problem. There has not been this
2 kind of influencing in any way.

3 COMMISSIONER BROWN: I didn't know whether
4 you had a policy.

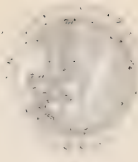
5 MR. ROBINSON: No, there is no policy.

6 COMMISSIONER BROWN: So that as and when
7 it might become a problem you had pre-determined
8 how it may be handled.

9 MR. ROBINSON: If it came to that kind
10 of decision within the credit committee itself,
11 in as much as it is appointed by the board, then
12 I think it would get back to the board level
13 and be dealt with as a whole board and not become
14 a play for one person. However, the earlier question
15 about the matter of being a director of Central
16 and a treasurer of another public credit union,
17 I guess Mr. McMaster covered it: There is nothing
18 within the operation of Central -- there are not
19 things happening in Central where he will have
20 particular value which he can use to particular
21 advantage in his own union; there is nothing
22 of that sort of thing.

23 COMMISSIONER LEMAN: An application by
24 the board to the manager of the Central for
25 approval of loan applications -- loan applications
26 being one of the most important functions of the
27 Central -- related to the fact you mention here,
28 the administrative committee. So, there is a board,
29 administrative committee, and there is the manager.
30 Could you describe to us who decides what in
running the business?

MR. ROBINSON: We do provide a schedule
in here from our auditor, as he would know the
division of authority within the Central credit



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in here from our auditor, as he would know the

division of authority within the Central credit



1 union. It is Schedule 12, and he drew this one,
2 and I would suggest he might speak about the
3 matter because he will be speaking from an outside
4 position.

5 MR. GRAHAM: The administrative committee,
6 as such, is only a committee of the board and
7 has no power except to make recommendations to
8 the board. In other words, matters coming up
9 at the board meeting may be previewed by the
10 administrative committee and discussed at that
11 time and they may bring recommendations to the
12 board. But, as such, they are merely a creature
13 of the board and any of their decisions or
14 recommendations must be considered by the board
15 and passed at that time. It is the idea of
16 facilitating items during a meeting where things
17 require a certain amount of looking at; they
18 may do that, and make their recommendations to
19 the board. The general feeling has been, or
20 the finding has been that these in turn will go
21 to the board, and, of course, the board itself
22 will usually give fairly good consideration to
23 these particular items and come to their own
24 conclusion.

25 MR. McMASTER: I think we ought to comment,
26 Mr. Chairman, on this business of appointing a
27 credit officer which is a new provision in this
28 provision as a result of a survey where it was
29 indicated there are some difficulties, particularly
30 with voluntary officers, with the volume of
attention which must be given to the approval
of loans; and also, as pointed out in the brief,
the loans to credit unions by Central are really
very well secured because most of the creditors

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with voluntary officers, with the volume of attention which must be given to the approval of loans, and also, as pointed out in the brief, the loans to credit unions by General are really very well secured because most of the creditors



1 of a credit union are the members as shareholders.
2 So, aside from any assignment of book accounts,
3 or anything they take, they rank ahead of
4 nearly everybody else except maybe the auditor
5 and the solicitor. Therefore, the granting of
6 loans within the board policy of limits of loans
7 is not as important an analysis as it is with
8 regard to loans to co-operatives which are dealt
9 with by the credit committee. Also the fact
10 the credit officer is responsible to the board,
11 and under the Act is obliged to report to the board
12 on loans which have been granted, so the board
13 is kept informed and is in a position to correct
14 policy from time to time as they go along and
15 see that policy is carried out.

16 MR. ROBINSON: Schedule 11 sets out
17 the results of the board with respect to the
18 appointment of the Credit Committee and the
19 appointment of a credit officer and Schedule 12
20 sets out a statement as to the division of
21 authority.

22 COMMISSIONER LEMAN: This Schedule 12
23 where we find this, is this a description of what
24 goes on in fact? Sometimes theoretical lines
25 of authority and the way they are applied is
26 a little different in practice. That is what
27 I meant to ask.

28 MR. ROBINSON: I would suggest this is
29 a fact. My solicitor suggests that I should have
30 the auditor speak. He is an independent body.

MR. GRAHAM: No, this is, I think
Mr. Chairman, a matter of fact from observance.
We have been stating just recently that there
is a possibility that we may be considering

of a credit union and the members as shareholders.
It, either from any assignment or book account,
or anything else, they have made of
nearly everybody else except maybe the auditor
and the solicitor. Therefore, the granting of
loans within the board policy of limits of loans
is not an important or analysis as it is with
regard to loans to co-operatives which are dealt
with by the credit committee. It is the fact
the credit officer is responsible to the board,
and under the Act is obliged to report to the board
on loans which have been granted, so the board
is kept informed and is in a position to control
policy from time to time as they go along and
the credit policy is controlled only.

MR. ROBERTS:

The records of the board with respect to the
appointment of the Credit Committee and the
appointment of a credit officer and generally the
board has a record in the division of

where we find that, in this description of what
has been done? Certainly the credit officer
of autonomy and the way they are applied in
a little different in practice. That is what

I mean to say

MR. TOLSON: I would suggest this is
a fact. My suggestion is that I should have
the credit officer. He is an independent body.

MR. CLEGG: No, this is, I think

Mr. Chairman, a matter of fact from observation.

So in no way stating that necessarily that there

is a possibility that we may be controlling



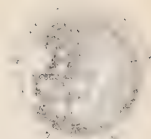
1 investment counsel and not just an investment
2 broker.

3 COMMISSIONER MacKEEN: Mr. Chairman,
4 there is just one question I would like to ask
5 Mr. Robinson. In the evidence by the League
6 this morning the question of the rate paid by
7 member borrowers, one per cent per month on the
8 unpaid balance, seemed to form the bulk of the
9 loans made. Has it been your experience that such
10 a rate is adequate to provide for the running of
11 the organization and any delinquencies or generally
12 do you think that is a fair and adequate rate?

13 MR. ROBINSON: Yes, from what experience
14 I have had it has been and with the credit unions
15 up until now this has been an adequate rate to
16 cover reasonable returns to the members and to
17 provide sufficient for operating.

18 COMMISSIONER MacKEEN: The reason I
19 asked this question is that in this type of
20 loaning there are higher rates being charged
21 and, of course, you operate with a very low
22 overhead because there is so much time contributed
23 by the executive and members but I was just wondering
24 whether it covered all the expenses and was enough
25 to carry on in an adequate manner.

26 MR. ROBINSON: Well, we do have experiences
27 with some credit unions in this province that they
28 reduced their rate of interest somewhat from the
29 12 per cent and are operating very efficiently
30 building adequate reserves and maintaining a
sound position in all respects at rates near
9 per cent. There are fishermen's credit unions
over the years, one of them in particular, which
has operated on a 6 per cent rate. I know there



Investment Council and not just an investment

there is just one question I would like to ask

Mr. Robinson. In the evidence by the House

this morning the question of the rate paid by

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do you think that is a fair and adequate rate?

MR. ROBINSON: Yes, from what experience

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COMMISSIONER WICKES: The reason I

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and, of course, you operate with a very low

overhead because there is no such time contributed

by the executive and members but I was just wondering

whether it covered all the expenses and was enough

to carry on in an adequate manner.

MR. ROBINSON: Well, we do have experience

with some credit unions in this province that they

reduced their rate of interest somewhat from the

12 per cent and are operating very efficiently

with adequate reserves and maintaining a

sound position in all respects at rates near

2 per cent. There are fishermen's credit unions

over the year, one of them in particular, which

has operated on a 2 per cent rate. I know there



1 is reason here in that they do not have the
2 business of a small loan granted and repayment
3 every month which involves a great deal of work.
4 A great number of theirs are repaid with one
5 payment a year involving much less work and they
6 seem to get along and have built a sound organization
7 as to liquidity position and as to granting a
8 reasonable return to their members. These rates
9 have been used in the credit unions and they
10 have got along so it would seem with this rate
11 in mind there is an ample spread, a very ample
12 spread at 12 per cent.

13 MR. McMASTER: I wonder if I might
14 comment on that. Actually there is statutory
15 limitation as far as credit unions are concerned
16 to one per cent. That is the maximum which they
17 can charge by law in British Columbia and the
18 practice, as Mr. Robinson says, is that some
19 credit unions charge lesser rates. As Mr.
20 Monruffet indicated this morning many of them
21 charge the maximum rate but then added to this
22 are the patronage refunds on the interest rate
23 that has been paid by their members so out of
24 the surplus the members get a rebate of 15 to 20
25 per cent.

26 COMMISSIONER MacKEEN: 20 per cent of
27 the interest rate?

28 MR. McMASTER: Of the interest which they
29 have paid, yes. That would cut it down to about
30 9.6 per cent, to come up to 20 per cent rebate.

The other thing which has not perhaps
been stated and I think ought to come to the
attention of the Commission is the fact that under these
Credit Unions Act of this province in law a credit

is reason here in that they do not have the
business of a small loan granted and repayment
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and the percentage returns on the interest rate
that has been paid by their members so out of
the surplus the members get a rebate of 15 to 20

COMMISSIONER McMASTER: 20 per cent of

the rate not rate?

Mr. McMASTER: Of the interest which they

have paid, yes. That would cut it down to about
9.5 per cent, to come up to 20 per cent rebate.
The other thing which has not perhaps

been stated and which ought to come to the

attention of the Commission is the fact that under the

Credit Union Act of this province in law a credit



1 union loan is repayable at any time without
2 notice or bonus which, of course, is a factor of
3 some importance to the people who deal with them.

4 COMMISSIONER LEMAN: This also is in a
5 statute?

6 Mr. McMASTER: That is a matter of
7 statute, yes.

8 COMMISSIONER MACKINTOSH: You mean repayable
9 at the borrower's option?

10 MR. McMASTER: That is right, at the
11 borrower's option.

12 THE CHAIRMAN: That concludes the hearing.
13 I wish to thank you gentlemen for your attendance
14 and explaining to us the ramifications of your
15 organization. It has been a very great pleasure
16 to us to hear from you and it has been of very
17 great benefit to us to have your advice and
18 opinion on this whole question.

19 MR. ROBINSON: Thank you for receiving
20 the brief from us and I was very pleased to present
21 it.

22 THE CHAIRMAN: We shall now adjourn until
23 Friday morning. We will not be sitting on Thursday
24 and the actual time of sitting on Friday is not
25 yet settled but we shall notify the press as
26 soon as it is settled.

27 --- Adjournment.
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Royal Commission on Banking and Finance

Hearings
held at

Vancouver

Vol.

3A

Date.

March 14, 1962



Official Reporters
F. J. Pethercut and R. J. Young
Toronto, Ont.

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SUMMARY OF BRIEF

PRESENTED BY B. C. CREDIT UNION LEAGUE
96 EAST BROADWAY, VANCOUVER 10, B.C.

TO

ROYAL COMMISSION ON BANKING AND FINANCE

Purpose
of Brief

1. The purpose of this brief is to present a full picture of the objectives, practices and methods of operation of credit unions in British Columbia, so that the Commission may appreciate the unique social and economic part played by them in the financial system of Canada.
2. Economic, legal and legislative matters will be dealt with by the National Association of Canadian Credit Unions of which the League is a member, upon whose submissions and recommendations the League will rely.
3. This brief will be supplemented by the submissions of B. C. Central Credit Union, an organization created by the Credit Unions for the pooling of surplus funds.

Object of
Credit Unions

4. Credit unions represent a popular movement (some 215,000 people in B. C.) organized to employ self-help in encouraging thrift and the use of collective savings for provident purposes by their members - based on democratic principles.
5. Created provincially they are local and autonomous (some 327) each with a common bond of work, association or community. Most credit unions are members of the League.
6. Credit unions make it possible for the ordinary man to see and understand how his savings are used to help his fellow man and his local community.
7. They are not constituted to be, nor is it their objective to become, commercial institutions. They are non-profit co-operative associations.

In Practice

8. Credit unions have demonstrated:
 - (a) the effectiveness of their method;
 - (b) that ordinary people can help themselves by co-operation to meet their needs;
 - (c) their social value; and that
 - (d) they have remained true to their objectives.



REMARKS: ON 10/11/11

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Source of
Evidence

9. The main source of evidence supporting this brief is an extensive survey recently conducted by credit unions in this Province. Frequent reference is made in the brief to the survey filed as Schedule 3. References hereafter are to the Financial Section of the survey.

10. The "Credit Unions Act, 1961" incorporated the recommendations of the Survey Committee (hereinafter referred to as "the Act").

History

11. There has been a significant growth in size and numbers of credit unions and membership since small beginnings in 1937 - total assets now exceeding \$100,000,000.

Responsibility
and Self
Discipline

12. Despite their autonomous nature, credit unions have through voluntary, co-operative and collective action demonstrated a high degree of responsibility and self discipline towards the stability of all credit unions, the needs and education of members, the training of officers, and the public interest.

Emphasis on
Democracy

13. Voluntary participation by a maximum number of members commensurate with responsible and efficient service has been their foundation. They are seeking to face the problems of democracy in the face of bigness by programs of member education.

Stability

14. The record of stability of credit unions in this Province is good. They co-operate to ensure each others' stability. A Provincial Reserve Board has been created. They are adequately bonded. There is Government inspection and supervision. Independent auditors are employed by larger credit unions and may be required by law for smaller ones. The League and B. C. Central Credit Union engage in constructive programs to encourage sound practices.

Reserves

15. Reserves for bad debts were found in the survey to be adequate. A new measuring rod of delinquency has been introduced to strengthen these reserves. (See Survey Report pages 51 to 58 and Section 34 of the Act).

Liquidity

16. The sources of liquidity are new share capital, deposits, borrowings, liquidity reserves and repayment of loans. Share capital is the dominant type of saving.





Loaning
Practices

17. Credit unions have grown in favourable times. To safeguard share capital liquidity the statutory reserve requirements have been increased from five percent to eight percent and may be increased to twelve percent in times of adversity.

18. Liquidity reserves on deposits of one year or less are twenty-five percent.

19. Borrowing generally is limited to peak seasons of loans and withdrawals. This makes possible the maximum use of members' savings. Nearly all borrowing is from the Central in which most credit unions maintain their liquidity deposits. Varying peak periods between types and localities of credit unions make surplus funds available at different times.

20. B. C. Central Credit Union was found by the survey to be sound and liquid (see Survey Report pages 62 to 75) and is recognized by statute as a suitable depository for liquid reserves (Section 34 (1)).

21. Credit unions keep loans on a reasonably short term basis to ensure liquidity and equity between members. A summary of the flow of funds appears in the Survey Report page 62.

22. To date loaning has been mainly of the small loan short term type for such purposes as household equipment, consolidation of debts, etc. In larger credit unions where the pool of funds is greater, after filling small loan needs, surplus funds are available for real estate and home improvements.

23. Many members borrow with savings pledged as security. This encourages thrift. Where borrowing is necessary, savings are replaced on a systematic basis. (See Survey Report page 33).

24. In smaller credit unions where intimate knowledge of character of members is possible signature and guarantee loans predominate. In large ones tangible securities are taken.

25. The credit unions are aware of their members' need for intermediate term mortgages and are making plans to meet these commensurate with a high degree of liquidity, by longer term deposits.

26. They generally do not borrow funds for loaning except at peak periods and then only seasonally from the common pool of credit union funds in B. C. Central Credit Union

17. Growth unions have shown in various ways that they are not only capable of doing the work of the government but also of doing it better and more cheaply than the government could do it.

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26. The growth unions have shown in various ways that they are not only capable of doing the work of the government but also of doing it better and more cheaply than the government could do it.

10
Pencil



They are not interested in making a profit out of the use of other people's money.

27. The credit unions represent a popular movement of the people themselves. Central is an instrument to maximize the use of their funds.

28. Generally business loans are not encouraged, although in some circumstances they are justifiable and proper.

29. So-called "chequing" services, the withdrawal or transfer of deposit money by bills of exchange, are limited in use but are a growing practice. They assist in bringing about another avenue of saving and make the use of the credit union a greater convenience to its members. The corollary of accepting money on deposit, as distinct from share capital, is that its withdrawal must be more readily facilitated. All types of credit unions providing this service have forgery insurance. They must maintain a twenty-five percent liquidity reserve.

Conclusions

30. Both in objective and in practice the credit unions in this Province are unique institutions, clearly distinguishable from other institutions of a commercial nature.

31. The continued development of credit unions is desirable from the standpoint of the public interest.

32. Recommendations, if any, of this Commission touching upon credit unions should give proper recognition to their unique contribution and their continued sound development.



A BRIEF TO THE ROYAL COMMISSION ON BANKING AND FINANCE

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A BRIEF TO THE ROYAL COMMISSION ON BANKING AND FINANCE

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BRIEF

PRESENTED BY B. C. CREDIT UNION LEAGUE
96 EAST BROADWAY, VANCOUVER 10, B.C.

TO

ROYAL COMMISSION ON BANKING AND FINANCE

Purpose
of Brief

1. The purpose of this brief is to organize and present to this Commission as full a picture as possible of the objectives, practices and methods of operation of Credit Unions in this Province that it may appreciate the unique place which this movement plays in the Canadian Financial System.

2. It is not intended in it to present economic theory or discuss opinions or recommendations touching upon all credit unions in Canada. The League is prepared to rely upon a brief later to be presented by the National Association of Canadian Credit Unions with respect to these matters.

3. The brief represents rather a statement of the evidence upon which the Commission may later rely to test the validity of those arguments and constructive suggestions which will be put forward by the National Association.

Organization
of Credit
Unions in
British
Columbia

4. A short summary of the organization of credit unions and of the League and their respective affiliations is annexed hereto as Schedule 1. As part of the Schedule is an outline of the major functions of the organizations as they affect credit unions and also a list of the present directors of the League and with some annotations as to their experience and a copy of the League 1961 Yearbook.

Object of
Credit
Unions

5. Credit Unions represent a popular movement of ordinary folk to employ the principles of self help in encouraging thrift and the use of the fund created by them by their members for provident and productive purposes. They are solidly based on the co-operative principles of democracy in the attainment of that end. Credit unions in this Province (as in each other Province of Canada) are incorporated by Provincial Statute and each credit union is an autonomous local body. Each credit union has, both by Statutory requirement and in fact, a common bond of work, association or community. A list illustrating the type of common bond of representative credit unions in British Columbia is annexed (as Schedule 2). It is the objective of credit unions to obtain the maximum participation of their members on a voluntary basis for the control



and direction of their operation. Consequently provision is made not only for a Board of Directors but for elected credit and supervisory committees and the creation and functioning of other committees is encouraged.

6. Through a credit union it is possible for an ordinary man to see and understand how his savings are being used to help his fellow man and that they are contributing to the provident and productive purposes of his local immediate community.

7. While dealing in financial affairs, they are not constituted to be, nor is it their objective to become commercial institutions. It is intended that on his savings a member should receive a reasonable return and as a borrower he should pay the minimum possible rate of interest. The credit union itself is a non-profit organization designed to serve its members through their co-operative effort to help themselves. The legal foundation of credit unions in this respect is discussed in the Legal Section of the Survey Report, hereinafter referred to, at pages 76 and 77.

In
Practice

8. In practice in British Columbia, credit unions have in many ways demonstrated:

- (a) the effectiveness of their method by substantial growth,
- (b) ordinary working men and women are capable of helping themselves in this field of co-operation,
- (c) by co-operation they can make an effective and useful contribution to the local community that no commercial institution can fully provide,
- (d) they have succeeded, despite substantial growth to remain true to their objectives.

9. This brief is designed, as factually as possible to verify these conclusions. It will deal with the history, the democracy, the evidences of stability and liquidity, and practices and the achievements of credit unions in this Province.

The Source
of Evidence

10. Fortunately we are not limited for the evidence only to the observations and opinions of knowledgeable persons, helpful though these are. The League conducted between 1957 and 1960 a very extensive survey of credit unions in this Province with the active assistance and advice of two independent economists and their auditor and solicitor. While the survey does not disclose trends, it does give a detailed picture of the activities and operations of credit unions at one fairly recent period of time and provides more objective tests of most if not all conclusions drawn above than otherwise would be possible.



History

11. The survey is evidence in itself, at the same time, of the sense of responsibility of this movement to hold true to its objectives and of self-discipline - for on the basis of this survey new Provincial legislation was adopted at the request of the credit unions providing requirements for reserves and liquidity more stringent than theretofore applied.

12. The third schedule to this brief is a copy of the Survey Report. The scope of the survey is indicated in the general questionnaire and work sheets used to obtain information from the credit unions and in the questionnaire Appendix 2 to the Survey Report and see letter dated April 23rd, 1957 and incorporated in the introduction to the final Survey Report. The extent of participation by credit unions in the survey is reported in the Financial Section at pages 1 and 2. The fourth schedule is a copy of the old Credit Union Act and the fifth schedule is a copy of the Credit Unions Act, 1961 (as enacted by the Legislature with explanatory notes commenting on the changes).

13. Credit Unions began in British Columbia in 1937 with a meeting of five people associated with the Co-operative Society for the Common Good (a product of the depression). This handful of people put up the sum of \$10.25 to start this first credit union. The total assets of all credit unions in British Columbia at Dec. 31, 1960 were \$107,120,145.00. The statistical story of this growth is set forth in the sixth schedule.

14. The whole story cannot however be told in figures. It can be told in part in the institutions which the credit unions have developed to serve their needs and the needs of the people whom they represent. But the story can only be understood and appreciated from the cumulative history of the day to day ways in which individual credit unions have been able to help their members to help themselves and the way in which the movement has educated leaders from their own ranks to govern their affairs.

15. Attached as Schedule 7 to the brief are but a few illustrations of these experiences.

16. The Survey Committee considered the question as to whether or not it should examine into the qualifications of Boards of Directors and members of Supervisory and Credit Committees and all treasurers and managers. It concluded that without personal interviews such examination would be superficial. The Committee further concluded in rejecting



Vethercut & Young

Toronto, Ontario

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such an attempt that, in any event, the real test of the abilities of these officers lay not in their apparent qualifications but in their experience in credit union operations and in the actual results of the functioning of the credit unions. This is, in the League's opinion the sound answer to those who would disparage credit unions because they do not have professional financiers' at the helm. The success of credit unions demonstrates one of their basic tenets which is that the ordinary man, if he will co-operate with his fellow man in a mutual enterprise, is capable of governing his own affairs and of growing with the growth of his organization.

17 One test of a popular movement as it grows is whether or not it develops a sense of responsibility and self-discipline, not only for the protection of its members but also towards society as a whole.

18. Evidence that the credit unions in this Province have developed such a sense is found in the type of institutions which they have built and the practices which they have established or encouraged. Here might be mentioned the following illustrations.

19. In 1939 they established a League of all credit unions for legislative and educational purposes. Today 321 credit unions out of a total of 327 incorporated in B. C. are members. The names, type and location of the credit unions which are not members of the League and such statistical information as is available to the League about them is annexed in Schedule 8 hereto. It is to be observed, however, that they are only six in number.

20. In 1943 they established a central credit union, in which credit unions pool their surplus funds at times when surpluses exist and borrow therefrom seasonally as their demands are greatest. Today the Central has assets of \$14,334,100.00 and 318 credit union members.

21. In 1945 they felt the need of their members to be protected against the hazards of illness (many loans being required to meet payments on medical accounts). They realized this was a service which required an organization apart from the financial services which the credit union offers and created C. U. & C. Health Services Society on a co-operative basis. Today that society provides health coverage for 110,000 people and last year expended \$2,713,000.00 in payment of medical bills for its members.



22. In 1942 they felt the need of their members to be protected against fire and other casualty risks (many members finding it difficult to obtain coverage or to obtain it at reasonable rates). They first planned a Provincial Mutual Insurance Company but after study decided the need would better be served by participating in the formation and support of Co-operative Fire & Casualty Company (federally licensed).

23. Since 1942 the League has promoted the insurance by all credit unions of their shares, deposits and loans against death or permanent disability of the member. Today approximately \$163,000,000.00 of such coverage is carried by members of the League, \$88,000,000.00 being on shares.

24. In 1947 the League began and promoted a program to encourage savings under what is known as the endowment loan contract. This encourages savings and at the time provides life insurance coverage. At Dec. 31, 1960 the net equity of credit unions under such contracts represented \$5,000,000.00 worth of savings.

25. The League has promoted and been instrumental in having the Credit Unions Act of the Province amended twelve times since it was first passed in 1938 to allow for growth of the credit unions and to strengthen them, the last amendment being a complete revision in 1961 to give effect to the survey recommendations. (See Appendix I Survey Report as to the first eleven amendments).

26. In 1958 the organized credit unions, through the League, initiated and were instrumental in persuading the Government to create a Provincial Reserve Board to administer a fund contributed by the Credit Unions to meet the consequences of serious trouble. At Nov. 30, 1961 the reserve fund stood at \$421,588.03. Both before and after the creation of the fund the League has interested itself in helping credit unions in difficulty, and has either assisted them to liquidate in an orderly fashion or arranged for them to be taken over by larger, stronger credit unions with suitable common bonds. Schedule 9 hereto sets forth the facts as to liquidation of credit unions.

27. Again, at the instigation of the credit unions, the League, from 1957 to 1960, initiated and carried on an extensive survey of credit unions in the Province to test their stability and liquidity and for the purpose of encouraging such legislative changes as might prove advisable for the good health and continual growth of credit unions in



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this Province. This was conducted under the advice of an economist employed by the Federal Government Department of Agriculture (which prepares certain limited statistics on credit unions each year - a copy of the last report of which is annexed as Schedule 10 hereof). The Survey Committee consisted of officers of the League knowledgeable from long experience in credit union affairs, the managers of B. C. Credit Union League and B. C. Central Credit Union, the auditor, the solicitor, and two independent economists, one employed by the Commerce Department at the University of B. C. and the other employed by one of the largest industrial firms in the Province.

28. New programs to encourage savings, such as term deposits, are presently under study and have been commenced on an experimental basis by some larger credit unions, which loan money for intermediate term mortgages. Many industrial credit unions with the co-operation of the employer employ the payroll deduction system to encourage savings and secure the repayment of loans.

29. The League employs in addition to the manager five men as field men who are in constant touch with credit unions throughout the Province. Included amongst these are a specialist in adult education and a chartered accountant.

30. In co-operation with B. C. Central Credit Union, a program of correspondence courses for treasurers and other officers is presently being prepared to extend the work already done by the living-in annual course for treasurers held at the University in conjunction with the Extension Department. This will also supplement the workshops conducted regularly throughout the Province for the training and education of officers. Schedule 11 hereto outlines the extent of these activities and their content as well as other training activities. Consideration has recently been given to research and an economic study and the employment of a suitable economist has been discussed.

31. Credit Unions have been built in this Province, as elsewhere, by the voluntary efforts of many people over the years, serving on Boards of Directors, Credit, Supervisory, Educational and other Committees. In 1961 there were approximately 4,850 such voluntary officers. In smaller credit unions usually the treasurer's job is voluntary. As the credit union grows he may receive an honorarium, then become a part-time employee, and finally a full-time employee. The treasurer is, in fact, the manager of the local credit union.

Democracy of
Credit Unions



32. Boards of Directors, Credit and Supervisory Committees meet regularly (see Survey Report, Financial Section, page 3 ff). They have important responsibilities (see Credit Unions Act, 1961, Sections 27, 28 and 29, Schedule 5 supra).

33. In the very large credit unions, those over \$1,000,000.00 in assets, of which there were approximately 42 at the end of 1961, the maintenance of this democratic machinery is more difficult than in smaller credit unions, if efficient service is to be provided to the members. The volume of loan applications gets beyond the ability of a voluntary Credit Committee to properly evaluate, in a reasonable period of time. The supervision of accounts becomes a very large job. Accordingly, in the Provincial Act adopted in 1961, some leeway was provided to permit these larger credit unions, subject to supervision by the Inspector of Credit Unions, upon attaining satisfactory standards of reserves, to make greater use of credit officers and auditors respectively for these functions and to provide that Credit Committees should be committees of the Board rather than directly elected by the members. (See Section 18, subsection 5 and Section 29, subsection 4 of the Act).

34. This has presented a challenge in some of the larger credit unions to design new procedures to encourage active participation by the members and to extend democratic control in other ways. The new amendment has barely started to take effect. Its effect on the democratic process in these larger credit unions is difficult at this time to measure. There has been study by some of the enlargement of the activities of their Education Committees. One large credit union has instituted a series of meetings for its members to discuss such matters as home ownership and financing and budgeting household or personal expenditures. Consideration has been given to the establishment of planning committees to review the present position and practices of the credit union and to plan for the future.

Stability

35. In the 21 years since credit unions were first incorporated in British Columbia, they have shown good evidence of stability. There have been in total 410 credit unions chartered. Of these charters 84 have been cancelled. (See Schedule 9 supra which sets out the history of those charters which have been cancelled).



36. This Schedule shows that the number of liquidations where shareholders suffered a loss have been negligible. It also demonstrates the extent to which credit unions, while being autonomous bodies, have co-operated to assure each other's stability.

37. Recognizing that, as credit unions grow in size and number, this type of voluntary co-operation to assure stability will be more difficult, the Credit Union Reserve Board was created in 1959 at the instigation of the credit unions through the League. Ultimately it will be built up to represent a fund equal to one percent of the assets of all credit unions in the Province. It was established only in 1959. Already steps have been taken in the 1961 Act to broaden the circumstances and manner in which it can come to the aid of a credit union in trouble. The organized Credit Union Movement is anxious that the Reserve Board should have even broader powers. It has been the Government of the Province which has so far insisted on limiting its powers. Annexed in Schedule 12 is a description of several instances where the Board has already demonstrated its usefulness. The Board itself is coming to see that it is important that it should be able to act at an earlier stage when a credit union shows signs of trouble, and is taking steps to be better informed in these matters.

38. All credit unions in British Columbia are required to carry adequate bond coverage against defalcation, theft and certain types of forgery. This is required by rule promulgated by the Attorney General. Schedule 13 shows the coverage required.

39. Every credit union is subject to inspection by officers of the Inspector of Credit Unions. Reference to the 1961 Act will disclose that, in addition to duties of inspection, the Inspector has wide authority over the practices of credit unions as to borrowing, loaning, the keeping and the supervision of its accounts and the payment of dividends, as well as the power to order an audit and/or suspend its operations if circumstances indicate such action. (See index of Act under heading "Inspector" for section references).

40. Most of the large credit unions now employ an independent qualified auditor. The Attorney General has now been given authority under the Statute by prescribed rule, to require such an auditor be appointed by all credit unions of such size or type as he may deem advisable. (Section 29, subsection 3 (b) of the Act).



41. In addition to the protection of the Government inspection service, the League and B. C. Central Credit Union, both of which are in close touch with the operations of credit unions (the first through field staff and the second by an intimate knowledge of their financial position), keep a vigilant eye upon them for signs of instability. However, these organizations go further, constantly seeking, by programs of education and through advice of knowledgeable officers, to encourage credit unions to adopt and follow practices which will lead to stability.

42. We would be foolish indeed if we did not recognize that, amongst the 327 autonomous credit unions now active in the Province of British Columbia, there are always some weak spots. The League estimates at most these represent 4% of all credit unions at the present time. This figure is higher than normal because new standards of reserves and liquidity have been set by the new Act. Our fieldmen keep in touch with, and together with the Central Credit Union give such assistance to these weak credit unions as they are willing to accept. The new Act has greatly increased the duties of the Inspector of Credit Unions but the budget of the Government for the operation of his Department did not increase. Accordingly, the effective functioning of the Inspection Department, speaking comparatively, has not increased at a time when it is most desirable that it should.

43. The League, Central and the Reserve Board are all concerned about these weaker credit unions and consult and work together in trying to help them solve their own problems. The Inspector is kept informed and, insofar as possible, he is giving them attention. While we are concerned about these areas of difficulty we are not anxious about them because

(a) in the past, through voluntary co-operation, we have a good record of avoiding liquidations with losses in this Province;

(b) when these credit unions are able to comply with the provisions of the new Act these credit unions will be greatly strengthened;

(c) there is a high measure of voluntary co-operation which usually can help to solve problems;

(d) the credit unions agreed to some assessment on them when the new Act was adopted, Section 61 and Schedule 4 thereto, and there are at least indications that the Government may take steps to strengthen the Inspection service. As these matters have been the result of confidential and informal discussions we are

41. In addition to the presentation of the report on

inspection activity, the Bureau and the Federal Reserve

Union, both of which are closely connected with the

of credit unions (the first through the staff and the

second by an intimate knowledge of their financial position)

keep a watchful eye upon them for signs of instability.

However, these organizations go further, constantly seeking

by programs of education and through a state of knowledge

officers, to encourage credit unions to adopt and follow

practices which will lead to stability.

42. We would be foolish indeed if we did not recognize

that, at least in the USA, a substantial credit union movement

in the Province of British Columbia, there are always some

weak spots. The Federal estimates of most these regions

of all credit unions at the present time. This figure

is higher than normal because new standards of reserves

and liquidity have been set by the new Act. Our feeling

keep in touch with, and together with the Federal Reserve

often give such assistance to those where credit unions

they are willing to accept. The new act has greatly im-

proved the basis of the inspection of credit unions but

the budget of the Bureau for the operation of the

Department is not increased. Accordingly, the effective-

functioning of the Bureau is somewhat less than it was

previously. As a result of a time when it is more

difficult to find it.

43. The Federal Reserve Bank and the Federal Reserve

are not only interested in the credit unions but also in

ways to help them to help their members and to

assist. The Inspector is kept informed and interested

possible, he is giving them advice. We do not see any

reason to be concerned about the credit unions at present

about their future.

(a) In the past, credit unions were not

very much interested in saving funds for their

future in the future.

(b) When these credit unions were first set up,

with the help of the Federal Reserve Bank, they were

all very much interested.

(c) The credit unions are now more interested in

which cases of credit unions are now more

(d) The credit unions are now more interested in

the new Act was adopted, and now they are more

interested in saving funds for their future.

result of the Federal Reserve Bank and the Federal Reserve



not at liberty to disclose their nature.

(e) the Reserve Board is alert to the problems and is able and willing, if required, in proper circumstances, to give assistance.

44. The assurance of stability in a credit union is influenced by a number of factors, the principal ones of which are reserves, liquidity and loan practices. This brief will deal with each of these in that order.

Reserves

45. The distinction between reserves and liquidity in relation to financial soundness is discussed in the Survey Report (Schedule 3), Financial Section, at pages 47 ff. The Commission will also find there an analysis of financial soundness and liquidity of credit unions in B. C. at a recent date, which makes it unnecessary to repeat here the statistical facts. Reference will only be made, therefore, to some of the conclusions.

46. For the purpose of that study reserves were taken to mean the amounts of earnings set aside to absorb probable losses. Liquidity was taken to mean the ability of a credit union to provide cash to meet all withdrawals under normal conditions.

47. The Credit Unions Act, prior to the amendment in 1961, provided that twenty percent of each year's earnings be added to the guarantee fund or bad debt reserve - but no measurement of the sufficiency of the cumulative reserve was provided in that Act.

48. The Survey Committee concluded from a review of the facts disclosed by the survey that, in the overall position, this statutory allowance has proved more than adequate (see page 17 Survey Report and page 48 of the Financial Section thereof). However, because the old statute provided no measurement of the sufficiency of the cumulative reserve, the Committee recommended that a new basis for measuring the amount of reserve required should be established which would be related to loans outstanding and the amount of delinquency. It concluded that the effective solution lies in the early detection of delinquency and an effective means of bringing it to the members' attention for remedial action. The Committee recommended that the amount of undivided earnings available for dividends should be determined after making such transfers as may be necessary to bring the guarantee reserve to an amount at least equal to the estimated amount of bad debts. The payment of dividends thus would have two determining factors: (1) the availability of earnings from

and of history to assist their work.

(c) The Reserve Board is also to the President and the Board of Directors, of regular, in regular intervals, to have sessions.

44. The assurance of stability in a credit and a high volume of a number of factors, the principal ones of which are reserves, liquidity and loan practices. These will deal with each of these in that order.

45. The distinction between reserves and liquidity in relation to financial soundness is discussed in the next chapter.

The Commission will also find that an analysis of these soundness and liquidity of credit is an important part of the data, which makes it unnecessary to repeat here the material already in the previous chapter, but it is necessary to deal with the question of the Commission.

46. The purpose of this chapter is to discuss the factors to make the soundness of credit and to show the importance of liquidity. Liquidity was taken to mean the ability of a bank to provide cash to meet all withdrawals and to meet other commitments.

47. The Board of Directors, prior to the Commission's report, advised that twenty percent of each bank's assets should be set aside to the Commission as a debt reserve - not a part of the sufficiency of the liquid assets. The Commission has provided in this chapter.

48. The survey committee, established from 1934 to 1935, was directed by the survey team, in the early part of this survey, to make a study of the factors which affect the soundness of the survey and to report on the factors which affect the soundness of the survey. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey.

49. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey. The survey committee, in its report, advised that the factors which affect the soundness of the survey are the factors which affect the soundness of the survey.



operations, and (2) the collectability of outstanding accounts.

49. The Committee recognized that the valuation of securities of the type taken by credit unions to secure loans made by it would present difficulty, so much depending upon judgment. They therefore proposed a yardstick for measuring uncollectible loans based on the principle that reasonable provisions in determining delinquency should be provided.

50. The new Act incorporated these recommendations and the provisions with respect to reserves are contained in Section 34, subsections 2 to 11 inclusive.

51. The analysis upon which the Committee's conclusions are based may be found in the Financial Section of the Survey Report, pages 51 to 56. (It should be appreciated that no dividends can be paid unless there is a surplus and surplus can only arise after provisions for delinquent accounts have been made. (See Section 34, subsections 2 to 11 inclusive, of the Act).

Liquidity

52. Another measure of financial soundness is an appraisal of liquidity, the ability to meet in cash all withdrawals of shares or deposits on demand. The Survey Committee, in reviewing the situation in British Columbia, took into account the fact that the credit unions in this Province have grown since 1940 under favourable conditions and that it is during these favourable times that strong foundations must be built to meet recurring cyclical recessions.

53. To appreciate the liquidity position of credit unions in this Province it is necessary to have regard to the source of funds available to credit unions.

54. The funds of credit unions came from three sources to which they are limited by statute, that is, shares and deposits by members only and limited borrowings.

55. In British Columbia by far the largest part of the credit unions' funds constitute share capital (see Schedule 6 supra). Credit unions have the right to issue an unlimited number of shares of \$5.00 each (Section 6) and to permit withdrawals thereof, subject to its rules, (Section 24, subsection 5). Schedule 2 of the Act, which are the standard provisions, almost universally applicable, require an applicant to purchase at least one share on joining and to acquire one share for each year of membership up to five. Withdrawal from the credit union under the rules is subject to the approval of the directors and by Rule 17 the directors may require ninety days' notice of intention to redeem shares and whatever additional notice may be approved by the Inspector or,



1
2 if capital is impaired, required by him. Notwithstanding
3 any provision of the statutory rules requiring notice of
4 intention to withdraw savings, members, through long estab-
5 lished practice, have come to regard savings, both in shares
6 and in deposits, as withdrawable on short notice.

7 56. Credit unions were required by statute to have at
8 least 5% of share capital in liquid reserve. Pursuant to
9 the recommendations by the Survey Committee this reserve for
10 share withdrawal was increased in the 1961 Act to 8% with
11 power in the Lieutenant Governor to increase the percentage
12 to 12%. In making this recommendation the Survey Committee
13 had in mind the possibility of recurring cyclical recessions
14 and less favourable times. Their analysis of the reserves
15 held at December 31st, 1958 by credit unions in British
16 Columbia showed that they exceeded statutory requirements
17 by 43.92%. (See Survey Report, Financial Section, page 60).

18 57. The Committee was, however, also influenced in
19 their recommendation by their observation that there appears
20 to be a growing tendency towards a flattening out in the
21 growth factor in credit unions in this Province following
22 closely what is statistically called the law of growth.
23 Accordingly, the gap between new share money coming into
24 credit unions and the withdrawal of share money will tend
25 to narrow. As new share money is one of the sources of
26 liquidity the Committee felt it desirable to recommend the
27 increase in the minimum statutory reserve. (See Survey
28 Report, Financial Section page 61). (It should be observed
29 that no loan may be granted when the amount of cash reserve
30 is, or would thereby be, reduced below the minimum statutory
requirement. (See Section 18, subsection 17 of the Act).

58. Another source of funds is the deposits of members.
Many credit unions in British Columbia do not take deposits.
However, as until the recent amendment to the Act dividends
could only be paid on share balance at the end of the year,
a large number of credit unions have encouraged deposit
accounts by members. In some localities and some types of
credit unions this provides a convenience for the members.
It has been found that, even though withdrawals are more
frequent from deposit accounts than from share accounts,
members tend to save some of their monies in deposits over
the long haul as well as operating them to meet their budget-
ary needs. Deposit accounts thus encourage two provident
ends - savings and budgeting. Against monies on deposit,
withdrawable within one year, credit unions must hold liquid
reserves of 25%.



1
2
3 59 The third source of funds is from borrowings.
4 Ninety-seven percent of the credit unions in this Province
5 are members of B. C. Central Credit Union. Statistics as
6 to the extent of their borrowing will appear in the brief
7 which that organization will submit to the Commission.
8 Generally, such borrowing as credit unions engage in is
9 limited to peak seasonal periods of demand for loans by their
10 members which may correspond with demands for withdrawals and
11 make it possible for the credit unions to employ their mem-
12 bers' savings to maximum use. The funds of B. C. Central
13 Credit Union, as will appear from its brief, represent to a
14 very large extent the deposits of its various member credit
15 unions with it.

16 60. Liquidity reserves required by the Statute must be
17 retained in cash, on deposit with a bank or with a Central
18 credit union, or be invested in securities of the Government
19 of Canada or of the Province of British Columbia, or secur-
20 ities, the principal and interest of which are guaranteed by
21 either Government. In fact, most of the credit unions main-
22 tain their reserves on deposit with B. C. Central Credit
23 Union except for such cash as they require to have on hand
24 (see Schedule 14 hereto). This being the case, the liquid-
25 ity and soundness of B. C. Central Credit Union is of the
26 utmost importance to the credit unions in this Province.
27 That subject will be discussed in the brief to be filed by
28 B. C. Central Credit Union with the Commission. However,
29 it is reviewed in some detail also in the Survey Report,
30 Financial Section, pages 67 to 75 inclusive.

31 61. Another source of liquidity in the credit unions
32 is the repayment of loans. The Survey Committee sought
33 from the credit unions in 1957 a review of loans granted
34 from July 15th to September 30th of that year to indicate the
35 year in which final principal payments would fall due. The
36 results appear in the Survey Report, Financial Section,
37 page 46. From the table there appearing the Survey Com-
38 mittee stated, "Bearing in mind that 32.95% of the loans were
39 issued on the security of real estate which normally suggests
40 a longer repayment period, the fact that 85% of the total
41 loans are due to be fully repaid within 27 months, indicates
42 that credit unions keep their loans on a reasonably short-
43 term basis". A summary of the flow of funds through British
44 Columbia credit unions between 1942 and 1958 before dis-
45 tribution of earnings to members, appears in the Survey
46 Report, Financial Section, page 62. The Committee indicated,

Loan
Practices

at that page, that the amount of loans issued, which is the vital factor in the flow of cash controlled by the credit union, must be curtailed unless new sources of funds are considered. The suggestion has been made that, if shares represent the planned savings of members which are accumulated for the purpose of purchasing homes, furnishings, automobiles, etc., some endeavour should be made to attract the members' long term investment capital.

62. In some of the larger credit unions, particularly where they are beginning to enter the intermediate term home mortgage field, programs for long term deposits are presently being developed.

63. Because of the need to maintain liquidity and a social philosophy generally accepted by credit unions that every member is entitled to have his loan application considered and, if possible, his need fulfilled, credit union loaning in this Province to date has been mainly of the small loan, short term type.

64. A summary of the types of loans granted by credit unions based on the period July 15th to September 30th, 1957, appears in the Survey Report, Financial Section, page 34. The conclusions here are drawn on the basis of security lodged rather than the purpose stated on the application and therefore is not entirely accurate, as a man may borrow money to buy a car and give his title to his home as security. Mainly, however, the type of security reflects to a large extent the purpose of the loan. The purposes for which loans were granted on an estimated basis during twelve months preceding the survey appears in tables in the Financial Section at page 31.

65. The results of a recent spot check by the B. C. Credit Union League is summarized in Schedule 15 hereto for comparative purposes.

66. It is interesting to observe that in the smaller credit unions, where the savings pool was relatively small, the amount of loans was correspondingly restricted. Here loans for household equipment, consolidation of debts and other similar types of borrowing predominated. In the larger credit unions, where the pool is greater, after filling the need of their members for small loans, surplus funds were available for real estate and home improvement. (Pages 7 and 8 of the Survey Report, Financial Section, indicate the concern of credit unions to meet their members' needs).



67. It should be noted that loans for the purchase of fishing boats and gear are mainly provided by two or three credit unions organized amongst fishermen. These may represent large loans of several thousands of dollars. On the other hand the average savings of the members of these large fishermen's credit unions would be from one to two thousand dollars. Reference is made to the records of the Banking and Commerce Committee in 1955 (see Minutes of Proceedings and Evidence, Commons Committee on Banking and Commerce, June 22nd and 23rd, 1955, an extract therefrom of the brief presented by the B. C. Credit Union League being annexed hereto as Schedule 16) to demonstrate the unique service which these fishermen have provided to the needs of the fishing industry which no commercial organization has been willing or able to undertake, at any rate, without the assurance of a government guarantee. Reference is also made to the Sinclair Report, "License Limitation - British Columbia: a method of Fisheries Management, pages 120 and 121" published by the Department of Fisheries of Canada 1960 as to the unique services of Prince Rupert Fishermen's Credit Union in financing boats and gear.

68. While these references are limited to one particular branch of the Credit Union Movement in this Province, they illustrate the desire of credit unions to meet needs of their members for loans for productive and provident purposes, often not available from any other source, either at all, or in any event at reasonable rates and on humanitarian terms. Similar illustrations could be given, particularly in the rural areas. They sustain the thesis of the Credit Union Movement that, in the main, the contribution of the credit unions is unique in that their objective is both social and economic, and they provide a service which no commercial organization can afford to or has the desire to undertake. If, in the process of doing so, they overlap services provided by commercial financial institutions and appear to compete with them, such overlapping is incidental to the main purposes and objectives of credit unions which are, so far as it is possible from the members' fund of savings and deposits, to meet the most urgent needs of their members, in the local community of their common bond.

69. One interesting characteristic of credit unions reflected in the analysis of their loaning practices (as shown in Table 9 on page 33 of the Financial Section of the

67. It should be noted that for the past few years fishing boats and gear are widely provided by two of the credit unions and several fishermen. These may represent large loans of several thousands of dollars. On the other hand the average savings of the members of these fishing unions credit unions would be from one to two thousand dollars. Reference is made to the records of the Fisheries and Commerce Committee in 1955 and Minister of Fisheries and Commerce, Commons Committee on Fisheries and Commerce, June 22nd and 23rd, 1955, an extract of the report presented by the B. C. Credit Union League being a report on the credit unions (a) to show the rapid expansion which these fishermen have provided to the credit unions fishing industry would be somewhat organization has been willing to take to credit unions, as well as the assistance of a government guarantee. Reference is also made to the Minister's Report, "Fisheries Development - British Columbia: a record of Fisheries Management, 1954-1955" published by the Department of Fisheries of Canada, 1955 as to the unique status of British Columbia fishermen. Credit Union in fishing boats and gear.

68. While these references are limited to one particular branch of the Credit Union Movement in this Province, they illustrate the desire of credit unions to meet the needs of their members for loans for production and provision of their members from any other source, and at any time or in any event at reasonable rates and on reasonable terms. Similar illustrations could be given particularly in the rural areas. They illustrate the needs of the Credit Union Movement that, in the future, the cooperation of the credit unions is needed in their objective is both social and economic, and they provide service and to (cooperative) organizations can also be used in the future to undertake. It is the purpose of this report, then, to provide a summary of the credit unions and their needs of their members in the local community. It is hoped that the credit unions will find it is possible to meet the needs of their members and to meet the needs of the community.

69. One interesting feature of the credit unions is reflected in the analysis of their lending practices as shown in Table 2 on page 33 of the Appendix. Section of the



1
2 Survey Report) is the extent of the practice of members
3 borrowing against savings rather than withdrawing them.
4 Some credit unions, on such borrowing, offer a lower loan
5 interest rate. The fact that normally both share and loan
6 balances are insured serves as an additional inducement to
7 the member to leave his shares intact. The principle is
8 to encourage thrift by way of creating an obligation to be
9 discharged on a planned monthly repayment basis. In other
10 words, it endeavours to replace savings on a systematic
11 basis. It will be observed from Table 9 that 24% of all
12 loans covered by the survey were thus secured by a specific
13 pledge of shares and that this practice extends to all types
14 of credit unions irrespective of size. It should not be
15 overlooked that the table deals only with a specific pledge
16 of shares. In addition it should be appreciated that many
17 members borrowing from the credit union also have more than
18 the minimum share capital invested; where adequate security
19 of another kind is given, the credit union does not "freeze"
20 those shares in such cases, although it has a statutory lien
21 on shares in the event of default.

22 70. As a program to encourage savings by its members on
23 a systematic basis, credit unions have extended this prin-
24 ciple into an active savings program by what they call en-
25 dowment loan contracts. A form of this type of contract is
26 annexed as Schedule 17 hereto. Members are encouraged to
27 borrow from the credit union up to \$2,000.00, repayable
28 over fifteen years in regular payments without interest.
29 The proceeds of the loan are invested in shares, dividends
30 on which are waived until the loan is repaid; both the
shares and the loan balance outstanding are insured. Thus,
if the member completes the contract, he will have syste-
matically saved \$2,000.00. If, in the meantime he dies
or becomes permanently disabled, the balance of the loan
is paid off and his estate, or he (if disabled) receives
credit for \$4,000.00 (the shares plus insurance).

71. Throughout the Survey Report reference is made to
"endowment" loans and shares. These refer to this type of
loan and share. For purposes of borrowing and other pur-
poses where the equities of members of a credit union
affect their powers, the net equity of the member in such
contracts only is taken into account in the 1961 Act.

72. This practice of borrowing against share capital
and of the encouragement of endowment contracts is illus-
trative of the dominant concern of credit unions to en-



1
2
3 courage the ordinary folk who constitute their membership
4 to save, to save systematically, and when they do require
5 to make present use of their savings for household or other
6 needs, to replace savings on a budgeted basis.

7 73. In smaller credit unions where, because of an in-
8 timate knowledge of the members, the Credit Committee is
9 in a unique position to assess character, loans are quite
10 frequently based on the member's signature only or upon
11 his signature and the guarantee of another. In larger
12 credit unions the taking of tangible securities predom-
13 inates. This reflects also the fact that as a credit union
14 grows it is better able to extend from the small loan field
15 into other needs of its members and have funds available
16 for real estate and home improvement loans. The analysis
17 in the Survey Report showing that notwithstanding the in-
18 clusion of real estate loans 85% of all loans are repayable
19 within 27 months, and Table 14 on page 37 of the Financial
20 Section of the Survey Report which shows the median and
21 mode of real estate loans according to size of credit union
22 to be a very modest figure, clearly indicate that credit
23 unions as at September 30th, 1957 had not proceeded exten-
24 sively into the real estate loan field despite the tendency
25 of larger credit unions to make a larger percentage of loans
26 for this purpose.

27 74. As indicated above, the caution reflected in the
28 loan practices of even the larger credit unions has arisen
29 partly out of an awareness of the need for liquidity and
30 partly out of the desire to see that the small loan needs
of all members should first be met. It is not that the
credit unions are unaware of the needs of their members
for mortgage loans of an intermediate term. As the larger
credit unions are able to devise means which will encourage
members to commit their savings to the credit unions for
longer terms they will be in a better position to meet these
needs. However, for some time to come, as long as commer-
cial retail outlets continue to encourage the purchase of
consumer goods on a time basis with hidden charges and ex-
orbitant rates of interest, and finance corporations en-
courage undisciplined spending by easy but expensive credit
facilities, the credit unions will have to continue to meet
this need of its members for small loans. It is possible
that, if the commercial banks extend and maintain their
present programs of personal loans on reasonable terms, the
pressure for this type of loan assistance to members of

...the ordinary fall who constitute it in...
to save, to save systematically, and when they do...
to make present use of their savings for household or other...
needs, to replace savings on a budgeted basis.

73. In smaller credit unions workers, because of an in-
timate knowledge of the members, the Credit Committee is
in a unique position to assess character, loans are given
frequently based on the member's signature only or upon
his signature and the guarantee of another. In larger
credit unions the taking of tangible security is predom-
inant. This reflects also the fact that as a credit union
grows it is not able to extend from the small loans which
into other needs of its members and have funds available
for real estate and home improvement loans. The survey
in the survey report showing that notwithstanding the im-
closure of real estate loans 85% of all loans are repaid
within 37 months, and Table I on page 37 of the survey
section of the survey report which shows the median and
most of real estate loans according to size of loan, which
to be a very small amount, to say indicate that credit
unions as at September 30, 1937 had not accumulated exten-
sive loans in real estate loans field. The tendency
of larger credit unions to make a larger portion of loans
for this purpose.

74. As indicated above, the question of the need in the
loan portfolio of the larger credit unions has been
partly met by an awareness of the need for liquidity and
as a result of the desire to meet at the small loan needs
of all members a small part of the total of their portfolio
credit unions are moving out of the field of their members
for mortgage loans of an intermediate term. As an example
credit unions are able to provide loans which are of an in-
mediate nature and which are able to be repaid in a short
long term of years. It is not the purpose of this report
to discuss the question of the need for liquidity and the
need for liquidity in the loan portfolio of credit unions
that is all that is intended to be shown in the present
report. It is a fact that as a credit union grows and
expands its rates of interest, and finance corporations
courses necessitate and standing by easy but expensive credit
facilities, the credit unions will have to continue to seek
this need of its members for small loans. It is possible
that, if the commercial banks extend their credit
present programs of personal loans on reasonable terms, the
pressure for sale type of loan assistance to members of



1
2 credit unions may ease. This field of loaning has yet to be
3 established in the eyes of the public as a principal function
4 of the banks, they having so long been regarded in the public
5 view as principally concerned with the financing of business
6 and a very selective type of personal loan.

7 75. Having in the first instance been the impetus for
8 the formation and growth of credit unions, it is doubtful
9 if the credit unions will ever abandon the field of small
10 loans for provident and productive purposes.

11 76. Credit unions in British Columbia neither discount
12 paper for others nor their own paper and do not buy or sell
13 loans, mortgages or other securities for loans, unlike
14 many commercial financial institutions.

15 77. The rate of interest charged by a credit union in
16 this Province is limited by statute, Section 18, subsection
17 13, to one percent per month and the statute does not permit
18 any charges to be made other than for the perfecting of
19 security, if any. Generally, small loan rates are charged
20 at the maximum. However, there is a variation in rates.
21 This is discussed in the Survey Report, Financial Section
22 (Schedule 3 hereto) at pages 12 to 14 and see Table 4 there-
23 in set out.

24 78. A discussion of delinquency and the repayment of
25 loans and the responsibility to attend thereto and methods
26 employed appear in the Financial Section of the Survey
27 Report at pages 9 to 11 (see also questionnaire on Act and
28 Rules, Appendix 2 to the Survey Question 103 (c) and summary
29 of answers thereto, Appendix 8, second to last page and last
30 page).

79. Credit unions have demonstrated, at least to them-
selves that, having regard to their local autonomous nature,
their non-profit characteristic and their emphasis upon
saving systematically even when required to spend, they per-
form a social and economic function in their field which
cannot be matched or performed by any commercial financial
institution. This is particularly true in isolated areas
and small communities of which there are many in this
Province.

80. In dealing with loan practices of credit unions in
this Province reference ought also to be made to the seasonal
demand for loans by members of credit unions which character-
ize their operations. This is reviewed in Table 8 of the
Financial Section of the Survey Report at page 32. Although
that table reflects the high and low periods (April, May,



August - high and November, December and January - low) it should be borne in mind, as stated in the report, that the reporting is from all different types of credit unions throughout the Province. Hence the seasonal peaks in the fishing industry obscure the low demand in many of the occupational credit unions and vice versa. April and May are augmented also by the farm demand in rural areas leading into the seasonal summer demand of teachers and other occupational groups.

81. It is this seasonal variation of the demands of different types of credit unions which has given rise to the creation and development by the credit unions of B. C. Central Credit Union in which, on the same social and economic principles upon which they themselves operate, they create a pool of surplus credit union funds in order to help each other at times of peak demand. It is only when the overall seasonal demand coincides and reaches its highest point in the late spring, as a rule, that Central reaches outside the credit union pool of funds to borrow from the banks. In the main this is the only injection of funds into the credit unions from outside their own resources. A more detailed picture of this aspect will be given in the brief to be presented to the Commission by B. C. Central Credit Union.

82. It is dealt with here to indicate to the Commission that the Central credit union is an integral part of the Credit Union Movement. The credit unions represent a popular movement of the people themselves. The Central is an instrument which they have created to maximize the utilization of their own funds. This seasonal demand also is here referred to, and the position of Central in relation thereto, to complete the picture of the true implementation of the purpose of credit unions, to use the funds created by their members through shares and deposits, for the productive and provident purposes of their members. It is not their objective to use the funds of other people in order to make a profit for themselves or their members.

Competitive
Position

83. Partly due to the absence of other facilities in outlying areas and partly due to the confidence of its members and use of the credit union by some who carry all their savings in the credit union, a practice has developed for the treasurer to hold things of value (other than lodged securities) in safekeeping for members. The extent of this practice at the time of the survey is indicated at



1
2 page 11 of the Financial Section of the Survey Report.

3 There also the Committee recommends against the practice.
4 The League, pursuant to that recommendation, has taken some
5 steps to discourage it. The practice will either have to
6 be discontinued or proper legislative authority obtained to
7 permit it.

8 84. This may be an appropriate place to deal with the
9 relationship between credit unions and other financial in-
10 stitutions. In fact, except at the level of B. C. Central
11 Credit Union and a few credit unions which do not belong
12 to the League and Central, the credit unions have no rela-
13 tionship with these other institutions.

14 85. In a very real sense credit unionists do not regard
15 these others as competitors - for there are none of them
16 whose primary concern is for the individual and local com-
17 munity. These others are interested primarily in profits
18 and frequently are national in scope. From a realistic
19 point of view they compete, however, for the dollars of the
20 ordinary citizen and the opportunity to serve him by loans
21 and in other matters. Accordingly, credit unions tend to be
22 aware of the practices of these other institutions and in
23 some measure adjust their practices, insofar as they can do
24 so within their basic philosophy, to meet this economic
25 competition.

26 86. Like all popular movements, the Credit Union Move-
27 ment has a large measure of the missionary outlook. It has
28 some zealots and some who are just hangers on. There is,
29 however, a large core of membership in between who see the
30 credit union, not as a place to get even maximum returns on
money invested or deposited, but as a place where the little
they have to save will do the maximum social good. There
are others who see the Movement as one which will assist in
socializing (in the sociological and not the political
sense) the individual to be conscious of his responsibility
for mutual help in his local community.

87. Hence, while the credit union may appear to be in
financial competition with other institutions, they are in
a very real sense as much or more in competition for the
minds of men. This is not the occasion to do so but an
illuminating history would be sketched in telling the story
of credit unions as to how they have changed the outlook
and ability of those who have voluntarily given of time and
effort to make the credit unions grow as the symbol of the
freedom of ordinary folk working together in the common good.

page 11 of the Biennial Report of the Survey Report. There also the Committee recommends against the practice. The Bureau, pursuant to that recommendation, has taken steps to discourage it. The practice will either have to be discontinued or proper legislative authority obtained to

84. This may be an appropriate place to deal with the relationship between credit unions and other financial institutions. In fact, except at the level of B. C. Central Credit Union and a few credit unions which are not bound to the League and Central, the credit unions have no relationship with these other institutions.

85. In a very real sense credit unions do not treat these others as competitors - for there are none of them whose primary concern is for the individual and local community. These others are interested primarily in profits and frequently are national in scope. From a local point of view they compete, however, for the dollars of the ordinary citizen and the opportunity to serve him by loans and in other matters. Accordingly, credit unions tend to be aware of the practices of these other institutions and in some measure adjust their practices, insofar as they can do so within their basic philosophy, to meet this economic

86. Like all popular movements, the Credit Union movement has a large measure of the missionary spirit. It has some zealots and some who are just passing on. There is, however, a large core of supporters in between who see the credit union, not as a place to get even, but as a place where money invested or deposited, but in a place where it is where they have to save will do the maximum social good. They are others who see the credit union as a place where they can accumulate for the social good and not the profit. They see the individual to be conscious of his responsibility for mutual help in his local community.

87. Hence while the credit union may seem to be in financial competition with other institutions, that is not a very real sense in which it works in competition for the minds of men. This is not the question to be asked. The illuminating history would be written in terms of the credit unions as to how they have changed the attitude and ability of those who have voluntarily joined them and effort to make the credit unions grow as the economy grows. Freedom of ordinary folk within together is the goal.



1
2 88. True, particularly in the smaller credit unions,
3 the services of the credit union may be more readily avail-
4 able to the individual than say the services of the bank
5 which has fixed hours of business. True also, credit unions,
6 particularly in small communities, have provided incidental
7 services such as safekeeping which resembles services given
8 by the banks. These may appear to other financial institu-
9 tions as unfair competition. However, on the other side
10 of the balance sheet, it must be recognized that the demo-
11 cratic practices of a credit union requiring approval of a
12 voluntary Credit Committee for each loan has made its pro-
13 cesses much slower than the processes of profit business
14 where such democracy is not practiced. Further, as the
15 credit union grows in size and develops staffs, more rigid-
16 ity in hours of service apply. Credit unions are also more
17 amenable to trade union organization than these national
18 organizations which mean higher costs and more rigid work-
19 ing conditions. Also, the local autonomous nature of
20 credit unions prohibits the same flow of funds and central-
21 ization of office procedure, policies and practices, in-
22 cluding mechanization, freely available to most other
23 financial institutions.

24 89. The credit unions are not complaining about the
25 activities of these others. They see themselves as having
26 a significant sociological as well as financial opportunity
27 to offer to the individual as well as the local community.
28 On the other hand, they feel that any complaints of other
29 financial institutions as to "unfair competition" from
30 credit unions is based upon a failure to appreciate both
their objectives and the limitations of their democratic
local characteristics.

90. Special mention ought to be made to the Junior
Savings Plans promoted by the credit unions in B. C.
This program began about 1947. Junior members now repre-
sent approximately 15,612 children under 16 whose savings
in their credit unions aggregate approximately \$429,729.00.
Some other financial institutions have promoted a similar
kind of a program encouraging young people to save. Their
object, presumably, has been a commercial one, looking for-
ward to future customers. The objects of the Credit Union
Movement in promoting this program has been educational -
to teach young persons, while they are young, the benefits
of thrift and how, by working together, it is possible for
them to establish the basis of credit to do the kind of

Business
Loans

things which are productive. Junior members have borrowed money for 4H Club activities, the purchase of bicycles to carry on paper routes, the purchase of Christmas cards for resale and for participation in Junior Achievement programs of the schools where they set up small businesses. Thus not only do they learn thrift but the productive uses to which present use of future earnings may be put. In such youngsters is the core of future responsible participation and leadership in the Credit Union Movement.

91. To a very limited extent some credit unions have undertaken what might be described as business loans. The extent of this type of activity on the part of credit unions is so limited that it is hardly worth mentioning except that it may be drawn to the Commission's attention by others in a manner which might put it entirely out of perspective. No statistics exist as to its extent. However, reference to Table 6 on page 31 of the Financial Section of the Survey Report makes it clear that its proportions can, at most, be relatively small.

92. With the exception of three types of situations, hereafter described, the making of loans to businesses is not a suitable type of activity for credit unions. Where such loans exist they have often come into being quite innocently by loans to a member on normal security intended by him to further his trade or business. Situations have then arisen where, in order to protect the credit union's interest, it has been compelled to increase the loans or make loans directly to the business, secured by assignments of receivables, assignment of stock-in-trade and the security of equipment.

93. These experiences with the exceptions referred to above have not, as a rule, proved satisfactory ones. In the first place the credit union operations are geared to the personal needs of their members. Generally, they have not developed personnel qualified to analyze the needs and security of businesses. Further, such loans frequently require, to assure ultimate repayment, the advancing of additional funds. With the concern of credit unions to try to provide equity between members in loaning policy, such business loans may require a disproportionate amount of funds available for loans. The risks involved in business loans are more suitably met by commercial organizations which can look to profits on some to offset losses on others. Of the few credit unions which have entertained



1
2
3 this type of loan the experience of most has not been a
happy one, even though losses have been minimized.

4 94. As indicated, there are three types of exception
to the general experience referred to above.

5 95. Firstly, there are the smaller non-urban com-
6 munities in which banking facilities may be non-existent
or limited. Here, if a credit union exists, it is probably
7 a community credit union. The businesses serviced are
relatively small and not complex and are not as foreign to
8 the credit union experience as elsewhere. Further, the
9 personnel of such businesses are responsible members of
the community whose character is well known and who are
10 subject to the social pressures of the community to meet
their business as well as their personal obligations,
11 particularly to an organization in which a large portion
of the population have a stake.

12 96. Secondly, there is the rather unique situation which
exists in the community of Prince Rupert, where the fisher-
13 men, in a most laudable and successful effort to help
themselves, have built a strong co-operative marketing
14 organization and at the same time have built a very large
credit union with assets of from five to six million
15 dollars. Here you have two co-operative organizations side
by side in the same community supplementing in their respec-
16 tive fields of activities the common desire of substantially
the same membership, to assist the fisherman to successfully
17 engage in his trade or calling. Surplus funds of the Credit
Union here are diverted to the Co-operative to a maximum of
18 \$1,000,000.00. However, this is hedged by the credit union
in two ways. First, there is the fact that the needs of the
19 Co-operative are seasonal and, in return, the Co-operative
members deposit all their payments for fish in the credit
20 union. Second, the loan is made jointly with B. C. Central
Credit Union which bears a larger portion and is in a better
21 position to evaluate the borrowing needs and soundness of
the Co-operative operation.
22

23 97. The third exceptional situation in which business
loans are suitable to credit unions is loans to co-operative
24 organizations by B. C. Central Credit Union. There are at
least four circumstances justifying this type of operation
25 by Central:
26

- 27 1. There are seasons of the year when credit
union requirements for funds are less than their
28 supply of funds deposited in Central. To maximize
29
30

1
2
3 the use of their funds co-operatives whose seasonal
4 demands synchronize with these periods are natural
5 short term borrowers.

6 2. In marketing co-operatives, particularly, the
7 members are only entitled to receive the gross proceeds
8 of the sale of their products less the cost of oper-
9 ation. The risk of such loans is therefore less than
10 normal business loans.

11 3. Central has competent staff, including a
12 chartered accountant, who are better able to under-
13 stand complex business organization and therefore to
14 evaluate the credit character of a business. Having
15 a common philosophy with other co-operative enter-
16 prises Central is also better able to understand the
17 needs and methods of operation of co-operatives than
18 some commercial financial organizations may be able
19 to do.

20 4. Central, generally employing only seasonal
21 surplus funds in such loans, having as its main object
22 the servicing of credit unions, engages in such loans
23 only to a minor extent. The risk therefore is very
24 thinly spread.

25 98. Another operation of the credit unions of limited
26 but growing proportions which may be the subject of criti-
27 cism or comment by others before the Commission is the so-
28 called "chequing" service performed by credit unions which
29 accept deposits from their members. Obviously it is a
30 misnomer to call the instruments by which orders are drawn
against the credit union "cheques". Presumably, under the
Bills of Exchange Act, they are bills of exchange.

99. Historically in this Province this practice began
because of the development by credit unions of a pool of
funds by way of deposits in their Central Credit Union
and the facilitating of the transfer of these funds from
one community to another. This gave rise to the same
development between members of credit unions and their
credit unions where deposits were taken. The benefit of
such a system to the credit union and the member is to
bring about one more avenue of savings and to make the
credit union a convenient place to carry out the member's
financial transactions.

100. The corollary of accepting money on deposit, as
distinct from share capital, is that its withdrawal must
be more readily facilitated. The use of Bills of Exchange
or transferrable orders is the obvious method of accomplish-
ing this end. A bill of exchange must be accepted by the
drawee before it becomes a thing of value. Consequently
the use of these instruments does not change the conditions
of the operation of the deposit account which, under Rule 17



1
2 of Schedule 2 of the 1961 Act, includes the right of the
3 credit union, at its option, to withhold withdrawal or
4 transfer for thirty days.

5 101. In practice credit unions endeavour to assure
6 sufficient liquidity (from the sources hereinbefore dis-
7 cussed in detail) to avoid any delay in the acceptance of
8 properly drawn and accepted orders. All credit unions pro-
9 viding such service have forgery insurance coverage.
10 Through arrangements made by B. C. Central Credit Union
11 with the Canadian Bankers' Association these items are
12 cleared through the clearing house and via the banks to
Central for clearing to the credit unions.

13 102. Details as to the volume and nature of this
14 service will be discussed in greater detail in the brief
15 to be presented by B. C. Central Credit Union to the Com-
16 mission. It is referred to here solely to round out the
17 picture of credit union practices and operations in this
18 Province.

19 Conclusion

20 103. Further details of the operations and practices
21 of credit unions in British Columbia may be obtained from
22 the Survey Report. This brief has endeavoured to give to
23 the Commission a picture of the most salient facts. It is
24 our submission that, both in objective and in practice, the
25 credit unions in this Province should be recognized as
26 unique institutions in the financial system of Canada, of
27 a provincial, local and autonomous nature, and as such should
28 be distinguished from other institutions of a commercial
29 nature.

30 104. The Royal Commission on the taxation of co-oper-
atives in 1945 investigated all forms of Canadian co-oper-
atives, including credit unions and credit societies. The
Commission reported as follows:

"We are satisfied that credit unions perform
a highly useful function in assisting people who
are unable to take effective advantage of savings
and loan facilities provided by other lending in-
stitutions. We are also satisfied that credit
unions are not displacing any other type of busi-
ness enterprise, except to provide an alternative
source of loans in a field where individual money-
lenders or lending institutions do not provide
similar credit facilities at comparable net rates.
It is clear, therefore, that Credit Unions provide



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3 a useful supplement to other lending institutions
4 and that the continued development of credit
5 unions is desirable from the standpoint of the
6 public interest."

7 105. We respectfully submit that, despite substantial
8 growth of credit unions in this Province and the increased
9 activities of the banks in the small loan field, this
10 statement stands true of credit unions in this Province
11 and this Commission should reiterate the findings of the
12 earlier Commission "that the continued development of
13 credit unions is desirable from the standpoint of the
14 public interest". We therefore trust that the recommen-
15 dations, if any, which this Commission may make touching
16 upon credit unions will give proper recognition to their
17 unique position and to their continued development.
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ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 1 (a) to Brief submitted
by B. C. Credit Union League

ORGANIZATION CHART

Approximately 210,000 individual members

belong to

326 autonomous Credit Unions, each
with a common bond of association

320 of these belong
to *B. C. Credit
Union League

*Each of these
are members of
the other

320 of these belong
to *B. C. Central
Credit Union

Belongs to
National
Association
of Canadian
Credit Unions
(NACCU) a
Canadian
organization

Belongs to
National
Association
of Credit
Unions (CUNA)
an international
organization

Belongs to Canadian
Co-operative Credit
Society (C.C.C.S.) a
national organization



ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 1 (b) to Brief submitted
by B. C. Credit Union League

FUNCTIONAL DESCRIPTION

AUTONOMOUS CREDIT UNIONS

These are incorporated under the Credit Unions Act of this Province. Details as to their numbers according to type of common bond and size appear in Schedules 2 and 6(b).

B. C. CREDIT UNION LEAGUE

A co-operative association whose members are all credit unions; has the following principal objects:

- (1) The promotion of useful legislation;
- (2) Assistance in the practical application of legislation;
- (3) Assistance in bookkeeping and accounting;
- (4) The pooling of experience;
- (5) A trouble shooter;
- (6) A source of supplies;
- (7) Officer and member education;
- (8) The preservation and extension of the credit union idea.
(Education and public relations)

CUNA (Credit Union National Association)

This is an international organization originally brought into being as an association of State Leagues of credit unions in the U.S.A. but subsequently expanded to include Canadian Provincial Leagues and Leagues in other countries. Its chief objects are advisory, educational and promotional. In the United States it also performs the function of the promotion of useful legislation.

NACCU (National Association of Canadian Credit Unions)

This is a recently formed association of Canadian Credit Union Leagues incorporated under the Companies Act of Canada,



1
2 for the principal purpose of representing Provincial Leagues of
3 Credit Unions in Canada in representations to Governments and
4 governmental bodies and agencies and dealing with peculiarly
5 Canadian problems. The English speaking credit union leagues in
6 every Province except Ontario, New Brunswick and Newfoundland
7 are at this date members. It is expected this organization
8 will ultimately perform the same functions in Canada as CUNA
9 does in the U.S.A.

10 B. C. CENTRAL CREDIT UNION

11 This is a credit union incorporated under the Credit
12 Unions Act of this Province and registered under the Canadian
13 Co-operative Credit Associations Act of Canada. Its members
14 are principally credit unions although it has also certain
15 other corporate members who are organized in accordance with
16 and carry on business on the basis of co-operative principles.
17 In Central the credit unions pool their surplus and liquid funds
18 to assist each other in accordance with credit union principles.

19 It has the following principal objects:

- 20 (1) A depository for surplus and liquid funds of credit unions;
21 (2) A source of funds for credit unions, and an instrument for
22 the investment of surplus funds in government bonds and in
23 loans to co-operative bodies;
24 (3) A clearing house for "chequing" services;
25 (4) A business consultant and source of economic information
26 for credit unions;
27 (5) The promotion of sound practices amongst its members.

28 C.C.C.S. (Canadian Co-operative Credit Society)

29 This is a national credit union to which the four major
30 English speaking Centrals (or Provincial Co-operative Credit
Societies) in British Columbia, Saskatchewan, Manitoba and
Ontario belong. Initially it was designed to serve as a



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Schedule 1 (b)

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3 national co-operative credit organization through which Provincial
4 Central Credit Unions could pool their funds in a manner similar
5 to the way in which B. C. Central Credit Union operates provin-
6 cially. It is incorporated by Private Act of the Parliament of
7 Canada and operates under the Co-operative Credit Associations
8 Act. Due to certain limitations in that Act, which have made it
9 difficult to perform its functions as originally envisaged and
10 also made it difficult for Co-operative Credit Associations in
11 other provinces to join (requiring a Private Act), its operations
12 have been restricted.
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SCHEDULE 1 - (c)

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 1

TO BRIEF OF B. C. CREDIT UNION LEAGUE

A LIST OF PRESENT LEAGUE DIRECTORS WITH RELEVANT INFORMATION

OCCUPATION (OR FORMER OCCUPATION IF RETIRED)

TOTAL PERIOD
ON LEAGUE BOARDLENGTH OF EXPERIENCE
AS CREDIT UNION OFFICER

N A M E

AGE

1. JORGEN P. LUNDIE	65	20 years	10 years	Engineer (retired)
2. WALTER T. BLEASDALE	51	17 years	11 years	Credit union treasurer 1949-59 Legion steward 1960-61
3. JAMES HENRY HERRIOTT	36	9 years	4 years	Police officer
4. MICHAEL J. ROGERS (1st V.P.)	62	12 years	7 years	Accounts clerk - paymaster - Empress Hotel
5. MRS. MAY CAMPBELL	68	12 years	2 years	Retired - housewife and landlady; formerly store proprietor
6. GEORGE VIERECK	44	21 years	14 years	Credit union treasurer
7. ARTHUR RODERICK GLEN	43	20 years	10 years	Linotype operator - Nanaimo Free Press
8. ALBERT L. GLADU	49	14 years	8 years	Sawmill trimmer operator - Nalos Lumber Co. Ltd.
9. ROBERT F. WILLIAMS (Pres.)	67	22 years	21 years	Telephone mechanic (retired)
10. NORMAN J. RUSSELL	49	20 years	5 years	Transit operator - B. C. Electric Company Ltd.
11. REGINALD ROBINSON	61	15 years	1½ years	Credit union treasurer
12. ALBERT ILOTT	53	16 years	18 months	Plant foreman - Consolidated Mining & Smelting
13. STANLEY STONIER (2nd V.P.)	52	13 years	3½ years	Group leader - Income Estate Tax Unit, Depart- ment of National Revenue
14. GEORGE H. SHEPHERD	48	8 years	5 years	Barriester and solicitor
15. NORMAN STANWOOD BENTLEY	48	8 years	6 months	Repairman, Consolidated Mining & Smelting Co.
16. ALBERT G. VRANCKAERT	48	15 years	7 months	Building supply salesman, Evans, Coleman & Evans
17. GORDON C. ALLEN, B.S.F., S.A.	68	15 years	1 year	Teacher (retired) - instructor - U. B. C.
18. MRS. MYRTLE VICKBERG	42	12 years	7 months	Credit union treasurer-manager



SCHEDULE 2

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 2

TO BRIEF OF B. C. CREDIT UNION LEAGUE

COMMON BOND OF REPRESENTATIVE CREDIT UNIONS

CREDIT UNION

COMMON BOND

1. Urban Community

(a) South Burnaby

Persons and their immediate families resident or employed in the section of Burnaby, bordered by 10th Avenue on the east, the north arm of the Fraser River on the south, Boundary Road on the west and Burnaby Lake line of the B.C.E.R. on the north.

(b) Nanaimo & District

Residents within eleven mile radius of Nanaimo Post Office.

2. Association

(a) Canadian Legion Br. 2

Members and families of members of Canadian Legion Br. 2

(b) International House

International students attending the University of British Columbia and associates of International House Association.

3. Rural Community

(a) Hornby Island

Members of the communities of Hornby and Denman Islands.

(b) Richmond Savings

Any resident in the municipality of Richmond.

4. Occupational

(a) Vancouver Federal Employees

Employees of the Federal Government in Vancouver and their families; and employees of the Vancouver Federal Employees Credit Union and their families.

(b) C. E. R. & S.

Employees of the Canadian Pacific Express Company, Canadian Pacific Railway Company, and Canadian Pacific Steamship Company of Vancouver, B. C. and their immediate families.

5. Racial

(a) Edelweiss

People of German extraction and their immediate families resident in the Greater Vancouver area.

(b) B. C. Unity

Members and associated members of the Association for the Advancement of Coloured People and members of their immediate families.



COMMON BOND OF REPRESENTATIVE CREDIT UNIONS

SCHEDULE 2

6. Parochial

(a) St. Patrick's

Members of St. Patrick's Catholic Parish, Vancouver, B. C., and also from other Catholic parishes in the Vancouver district, provided there is no parish credit union in the applicant's own parish.

(b) St. Mary's Anglican

Members of the congregation of the Anglican Church of St. Mary the Virgin, Sapperton.

7. Rural - Predominantly Farming

(a) O. F. I.

Members of the Otter District Farmers Institute in the lower Fraser Valley and their immediate families.

(b) Mt. Lehman

Residents in the district bounded on the north by the Fraser River, on the south by the International Boundary, on the west by the western boundary of Matsqui Municipality, on the east by McCallum, Downs and Glenmore Roads.

8. Rural - Predominantly Fishing

(a) Queen Charlotte Islands
Central

Bona fide residents of the section of Island as follows - from the south boundary of Lot 253 to Cape Ball and to the west coast along the south boundary of New Massett Credit Union.

(b) Bella Bella

Residents of the Bella Bella District.

9. Rural - Predominantly Lumber,
Logging or Logging Products

(a) Alberni & District

People who, in the Alberni District, form a group of the following description, namely - residents of the Alberni District who reside within a radius of fifteen miles of Port Alberni.

(b) Port Mellon Industries

Any person employed by any industry located at Port Mellon, B. C., or any resident of Port Mellon, B. C., and their immediate families.

10. Rural - Predominantly Mining

(a) Sullivan Concentrators

Employees of the Consolidated Mining and Smelting Company and their dependents, and those of the Sullivan Concentrators and operations connected with it.

(b) Riondel

Employees of the Bluebell Mine and residents of the Riondel District.



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COMMON BOND OF REPRESENTATIVE CREDIT UNIONS

SCHEDULE 2

NUMBER OF CREDIT UNIONS BY TYPE OF COMMON BOND

	<u>1 9 5 1</u>	<u>1 9 5 6</u>	<u>1 9 6 1</u>
Urban Community	24	30	35
Rural Community	45	67	64
Occupational	77	137	137
Parochial and Racial	15	24	29
Rural and Farm	14	17	23
Rural and Fishing	11	11	13
Rural and Lumber	6	8	13
Rural and Mining	6	10	12
TOTAL	<u>198</u>	<u>304</u>	<u>326</u>



SCHEDULE 6 - (a)

ROYAL COMMISSION ON BANKING AND FINANCE

TO BRIEF OF B. C. CREDIT UNION LEAGUE

STATISTICS - CREDIT UNIONS "PROVINCE OF BRITISH COLUMBIA"

Comparative Figures as at December 31st

	1945	1950	1955	1960
Affil. with B. C. C. U. L.	133	176	288	316
Not Affil. with B. C. C. U. L.	6	6	2	10
TOTAL in Operation	<u>139</u>	<u>182</u>	<u>290</u>	<u>326</u>
Affiliated Membership	19,027	52,805	121,300	199,369
Not-Affiliated Membership	* NA	* NA	4,125	6,011
TOTAL Membership	<u>19,027</u>	<u>52,805</u>	<u>125,425</u>	<u>205,380</u>
TOTAL Assets	\$1,676,412	\$12,767,043	\$40,546,124	\$107,120,145
TOTAL Interest Income	* NA	639,935	2,219,075	6,127,963
No. of Loans since Incorporation	* NA	136,948	372,325	** 747,793
Amount Loaned since Incorporation	* NA	36,369,612	139,447,768	** 400,292,883
Loans in Force	1,287,284	9,122,195	35,153,359	91,321,945
Members' Personal & End. Shares	1,433,914	9,812,858	33,969,888	90,971,087
Members' Deposit	<u>147,646</u>	<u>1,014,702</u>	<u>1,590,811</u>	<u>4,361,570</u>
TOTAL Members' Savings	<u>1,581,560</u>	<u>10,827,560</u>	<u>35,560,699</u>	<u>95,332,657</u>

* NA - Not Available

** - As of September 30, 1960

All figures exclusive of B. C. Central Credit Union and Whitehorse Credit Union Ltd.

HJB/jl

BCCUL/950

Prepared by the B. C. Credit Union League for its Annual Convention in June, 1961.

23 May 1961



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SCHEDULE 6 - (b)

ROYAL COMMISSION ON BANKING AND FINANCE

TO BRIEF OF B. C. CREDIT UNION LEAGUE

Comparison of number of credit unions by size, 1951, 1956 and 1961:

CREDIT UNIONS BY ASSET SIZE

		<u>1951</u>	<u>1956</u>	<u>1961</u>
Less than	\$ 25,000	101	102	83
	50,000	29	56	43
	100,000	31	46	68
	250,000	24	45	53
	500,000	6	27	34
	1,000,000	5	17	22
	over 1,000,000	2	11	24
TOTAL		<u>198</u>	<u>304</u>	<u>327</u>



ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 7

TO BRIEF OF B. C. CREDIT UNION LEAGUE

ILLUSTRATIONS OF DAY TO DAY ASSISTANCE BY CREDIT UNIONS TO MEMBERS

On January 2nd, 1962 the B. C. Credit Union League sent out a circular to all credit unions, requesting examples of some of the ways in which credit unions have been of assistance to their members. The following instances have been taken from their replies received to date:

1. A man, whom we shall call Frank Smith, had been in the feed and fertilizer business and things went from bad to worse. When he wound up the business he found himself owing several people and he was facing bankruptcy. Our Credit Union lent him \$2,700 on April 5, 1960 and paid off all of his debts and five of the creditors co-signed the note.

On December 11, 1961 he had reduced his debt to the Credit Union by \$1,139, also his savings have increased from \$5.00 to \$96.00. He now is well on the way to getting out of debt.

2. A Mr. Emil H. came to Canada from his native Denmark. He worked in a large sawmill for awhile, but he felt he was not making much headway. With his education he was able to enter teacher training college, but with a family of two there was a financial problem as well as fees for the course. He came to our Credit Union and borrowed \$2,000 to keep the family and himself for the length of time necessary to take the course, and he was able to get four citizens of the community to co-sign for him. He is now in his second year of teaching and is gradually reducing the loan and preparing to take a course in summer school this coming summer. Without such help as this he would not have been able to get the training he needed and care for his family as well.

3. Mr. Dick W. is a young man with a wife and four small girls. He badly wanted his own home. So he borrowed a progressive loan in two successive amounts and got the money as he needed it and as the house progressed, doing most of the work himself, borrowing \$5,000 in the two amounts. He now owes \$2,237, having paid off \$2,700 over a period of five years and his home is liveable, although still to be finished out the outside. But he is very happy with his progress and grateful to the Credit Union for being able to borrow the money on terms he could handle.

4. B. C. Credit Union League,
Rm. 14 - 96 E. Broadway,
Vancouver 10, B. C.

Jan. 18, 1962

Gentlemen:

Ladysmith & District Credit Union has been my guardian angel.

In 1955 I was involved in a highway fatality through a freak accident and, being absolved of criminal blame, I had a civil action against me. On advice of my legal counsel who advised me to settle out of court, if possible, I approached Ladysmith & District Credit Union for help. There was the possibility that I may have lost my home and everything in it if damages had been awarded to the family by a court decision.

My counsel was successful in getting an out of court settlement of \$5,000 and the Credit Union came to my aid by loaning me the \$5,000 and \$500 for lawyer's fees.

I am certainly very grateful to the Credit Union and, although it will

ANALYSIS OF THE CREDIT UNION

Exhibit 7

TO THE BOARD OF B. C. CREDIT UNION

ILLUSTRATIONS OF THE WAY THE CREDIT UNION HAS TO WORK

On January 2nd, 1952 the B. C. Credit Union League sent out a circular to all credit unions, requesting examples of the way in which credit unions have been able to assist in the following instances have been taken from their replies received in 1951:

1. A man, whom we shall call Brian Smith, had been in the food and fertiliser business and things were not too good. When he wound up the business he found himself owing several people and he was facing a creditor. On Credit Union loan he was able to pay off all of his debts and live of the cash that was left over.

On December 11, 1951 he had received his first loan from the Credit Union of \$1,132, also his savings have increased from \$100 to \$250. He now is well on the way to getting out of debt.

2. A Mr. Emil H. came to Canada from his native Germany. He worked in a large sawmill for awhile but he felt he was not making much headway. With his education he was able to enter teacher training college, but with a family of two there was a financial problem as well as fees for the course. He came to our Credit Union and borrowed \$2,000 to keep him and himself for the length of time necessary to take the course, and he was able to get four citizens of the community to assist him. He is now in his second year of teaching and is gradually increasing his loan and preparing to take a course in summer school this coming year. Without such help as this he would not have been able to get the training he needed and care for his family as well.

3. Mr. Dick W. is a young man with a wife and four small kids. He had wanted his own home. He had borrowed a progressive loan for two successive amounts and got the money as he needed it for the house project. He doing most of the work himself, borrowing \$1,000 in the first amount. He now owes \$2,325, having paid off \$2,700 over a period of two years and his home is finished. Although still to be paid out the balance, but he is very happy with his present and a credit to the Credit Union for being able to borrow the money on terms he could handle.

Mr. W. - 96 E. Broadway,

Vancouver 10, B. C.

Background of Brian Smith: Brian Smith was born in 1915 in Germany.

In 1925 I was involved in a highway robbery which resulted in a prison sentence and being absolved of criminal blame. I was a small time crook and on advice of my legal counsel who advised me to flee the country, I fled. I approached the B. C. Credit Union and they gave me a loan of \$1,000. I was the responsibility that I was in. I was a small time crook and I had been arrested for the same thing. I was a small time crook and I had been arrested for the same thing.

My counsel was successful in getting me out of the country and I was able to get a loan of \$2,000 and the Credit Union was able to get me out of the country. I was able to get a loan of \$2,000 for lawyer's fees.

I am certainly very grateful to the Credit Union for the help they gave me.



SCHEDULE 7

take me about seven years to pay this off, still I can manage the monthly payments and have my home and peace of mind. I have volunteered this true story of my own free will in the hopes that it will be an example of what the Credit Union movement can do for someone else.

Yours sincerely,
Mr. J. E. M.

5. A new member came to our Credit Union office in the spring of 1960. He had been working for a construction company in the Okanagan but had been unemployed during the winter months. Because of his type of work he had purchased a trailer from the finance company for his wife and two small children.

He was fortunate enough to find steady employment in our district but by this time was hopelessly in debt, or so it seemed. He was about to lose his trailer and he also owed various small amounts including some medical bills and creditors were pressing him.

After a long and helpful discussion with our member we loaned him \$2,000 to clear off his trailer and the various debts as well as cash to put him on a cash basis.

The member agreed to repay this amount at \$100 per month and has not missed a payment in almost two years. On occasion while in the office he has expressed his sincere appreciation for the help the Credit Union gave him and for the helpful lesson to always keep your borrowings in one safe friendly place.

6. A young couple had been married for almost ten years but never had the finances to purchase a home of their own.

Then we formed our Credit Union in our small community. When we had reached the point where we could loan them a sizeable sum they purchased an older home quite reasonably and moved into it. They very conscientiously repaid the loan and now are planning to borrow again to build a room into their home and also for some other improvements.

They are very proud homeowners and are sincerely grateful to the Credit Union for helping them to help themselves.

7. As our bank is 18 miles away pay day for our men always presented a problem. Since the formation of our Credit Union we have brought extra money from the bank to cash our members' payroll cheques.

8. During 1961 our Credit Union has loaned a total of \$13,000 for home improvements. These improvements are very noticeable in our small community. The Credit Union was exactly what our town needed, while many homes had been going backwards we now have proud homeowners who are pleased to say "we did it on a Credit Union Loan".

Also during 1961 we loaned \$31,000 for purchase of land and buildings and for construction of new homes. As a homeowner generally is a solid, reliable citizen and a much happier citizen, we are very proud of our record.

9. We think the following will serve to illustrate how our Credit Union has helped one of its members and, more important, shown him how to help himself:

The member, #183, worked on shift work at a large industrial concern and, prior to his joining the Credit Union, worked midnight shift one week in four. On more than one occasion his foreman discovered him asleep, a disciplinary offence, and besides this he had a not-too-enviable record of absenteeism due to sickness.

While investigating the reasons for this situation, the shift foreman



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4 uncovered the fact that the man was in such straightened circumstances
5 financially that the man was trying to work at other employment besides
6 his regular job; "moonlighting" is the popular term - and the strain of
7 doing two jobs, coupled with the worry connected with his finances, was
8 working a very real hardship on his health.

9 His foreman suggested that he contact the Credit Union Manager, outlining
10 his difficulties and ask for advice and assistance. This is what was
11 found to be his position:

- 12 (a) debts totalling \$1,480.00 including three loans from "friends", one
13 of whom was a loan shark;
14 (b) he had cheques in circulation totalling approximately \$100 for which
15 he had no funds to cover; he was redeeming these by making deposits
16 to cover one with funds realized by cashing a second; he covered
17 the second by cashing a third, etc.;
18 (c) rent and groceries were costing about \$230 monthly;
19 (d) he had had one garnishing order against him already and another one
20 on the way;
21 (e) he had been married about six months and his wife was ill.

22 Against this he was earning a total income of about \$570 per month for
23 which he was working forty hours weekly at his regular job and about
24 forty hours at the second. He had no savings of any kind, and no life
25 insurance. The banks were not willing to advance him any loan, and he
26 was already paying a large loan to a finance company.

27 The Credit Union Manager suggested that he join the Credit Union, and
28 that he turn over his entire pay to the Credit Union to be placed in a
29 deposit account. This was done. Each pay day the Manager gave him
30 enough to buy groceries and pay the rent. The rest went to bills and
savings. In time, a loan was made to pay off his most pressing debts.
When this was paid off, another one was made to cover the rest of his
creditors. His creditors, knowing that his debts were being looked
after by the Credit Union, were content to wait longer than they would
have if such had not been the case.

He was able to quit his second job after five months from the date of
joining the Credit Union.

Today, nineteen months later, this man has maintained a good record of
attendance at work and his standing with his employer is good; he has
\$545 in life insured savings; he maintains a car for himself and one
for his wife (both of these are old ones but transportation nevertheless);
he made a down payment on a house and furnished it with a credit union
loan. His house has extra living quarters which give him an income of
approximately \$100 monthly. He owes nothing on his furniture to any
other store or institution, and he has no other debts. He handles his
own pay cheque and maintains his deposit account for monthly expenses.

This member has only praise for the manner in which he was assisted by
the Credit Union and helped to help himself. He has made use at various
times of the accommodation loan account and the extension provisions re-
garding his main loan. He feels sincerely that the Credit Union is the
only organization which could, or would, render him the help he needed.
Through it, he has repaired his shaky financial position and placed his
family affairs on a sound basis.

He says (in his own words) "the Credit Union is the only outfit which
placed any trust at all in me and, without it, I would only have con-
tinued to go backwards".

10. An elderly widow, resident of our town, passed away and, although there
was a small estate after probate of the will, there were no funds im-
mediately available for funeral expenses. There are no local funeral
directors and it was necessary to have the coffin shipped in, (C.O.D.),



for burial the following day. This was after banking hours, and the bank manager, at that time, had an unhealthy opinion of any prospective borrower without tangible security. This was quite a plight for the bereaved, and although they were mature men and women, were unable to raise the necessary \$250. The Treasurer got two of the Credit Committee together and a loan was arranged (which has since been paid).

11. A lady member of our Credit Union lost her husband recently. He had also been a member of our Credit Union but did not carry any insurance. His wife was left owing a number of small debts which were of great concern to her as she was continually being phoned or written to, and she found she could only pay on one or two each month.

One day I met this member and asked her how she was getting on. She told me about her predicament and I asked why she didn't come to the Credit Union office to apply for a loan. She seemed very surprised to find that the Credit Union would even consider making a loan on her small income. The following day this member applied for a loan and at the next Credit Committee meeting it was approved. Cheques were sent out to all her creditors paying off her debts which amounted to less than \$200 in total. This has since been paid in full to the Credit Union but the member says she will never forget how the Credit Union helped her in removing some of her worries at such a trying time.

12. This was an incident that happened some years ago but is one of the most memorable in our Credit Union.

A young veteran came into our office one day in very desperate circumstances. He was working at a low paid job, had a wife and two young children. His wife had contracted tuberculosis and was bedridden. She was at home with no one to look after the children and they were continually around her bed and running the risk of contracting her disease.

The man knew his wife should be in hospital but he had no one to look after the children and no money to pay anyone. He wanted to send for his mother-in-law in the old country but had no money to do so. He said he had tried to seek help anywhere he could think of but could find no one who would lend him money in his circumstances. He also said very seriously that he was at the point of turning to robbery and that we were his last hope.

As ours is a veterans' organization he received a very sympathetic hearing and one of the prominent members loaned this young man enough money to join our Legion and our Credit Union. An emergency meeting of the Loan Committee was called and one of our members co-signed a promissory note for this new member.

His loan was quickly put through and a housekeeper was found immediately to keep the children away from his wife until such time as she was admitted to hospital.

The mother arrived and the wife was taken to hospital. It was later found that the children had shadows on their lungs and they were taken to the Children's Preventorium for a short period.

We feel that this was one incident in which the person had tried every place he could think of for help and could only find help and understanding in the organization that is founded on such ideals.

13. In August, 1961 the member made application for a loan of \$3,800 for the purpose of building an addition to his home. During routine processing of the loan application, the Treasurer found the member's indebtedness to be:

(a) first mortgage on home held by a mortgage company, approximately \$4,000	
monthly payments	\$61.00



(b) second mortgage, private, approximately \$2,728.45 monthly payments	\$41.00
(c) to finance company, approximately \$3,150 (which included interest charges of \$946) monthly payments	\$90.00
(d) to Hudson's Bay Company, for household furnishings \$569 monthly payments	\$27.00
Total amount committed to monthly payments	<u>\$219.00</u>

The member is 29 years old, is married and has four children ranging in age from one to seven years. He is a salesman with an income of approximately \$400 per month.

The Treasurer pointed out to this member that such an amount committed to monthly payments left hardly enough to cover living expenses of his family and he was in no position to assume payments on another debt. She proposed talking over the situation with the member and his wife in their home.

During her visit to the home the Treasurer found, among other things, that the wife was being treated by a doctor for a nervous condition brought on by worry over the family's financial situation. After some hours of discussion and counselling, a plan was worked out with the full agreement of the member and his wife, details as follows:

as the children are still very young, installation of bunk beds at a cost of \$125 to \$150 would meet their needs as regards sleeping accommodation for some time to come and there was no real need for a \$3,800 addition to the home at this time;

this Credit Union would grant a loan to pay off the second mortgage, the finance company account and the Hudson's Bay Company account, taking as security a second mortgage on the home which was appraised at \$13,000, monthly payments to be \$85. Monthly payments now made by the member total \$146 (\$61 on first mortgage and \$85 on Credit Union loan);

in paying off the second mortgage and finance company account, reductions of \$261.74 and \$875.90 respectively were obtained which will go a long way toward paying the interest on the Credit Union loan;

the member brings his pay cheque into the office every week, taking \$35 in cash to cover: food costs of \$25, pocket money for himself and his wife of \$3.00 each and \$4.00 for gasoline for the family car. The balance of the pay cheque is deposited in his chequing account and from this payment of mortgages, phone, light, fuel oil, etc. is made.

The family receives every month a family allowance cheque of \$24.00 which is deposited in the member's savings account. This represents the first savings the couple has made since their marriage.

Adoption of this program brought benefits which were apparent almost immediately. The member is happy and confident that he can cope with his financial situation. The wife's health improved so rapidly that within two months she felt able to take a part-time job, working three hours in the evening when her husband is home to take care of the children. Her wages are reserved to meet miscellaneous expenses.

This is just one of many experiences our Credit Union has had in applying the basic principle of the Credit Union movement - "to help the member help himself".

14. The wife of one of our members dropped in to enquire about the cost of credit. This lady had noticed that they were paying over \$6.00 interest on an account of \$518 with one store and \$4.00 interest on an account of \$399 at another store, while the interest on their loan of \$1,124 from the Credit Union was only \$8.59.



She saw that it was costing \$10 for the credit of \$917 from two stores while their Credit Union loan of \$1,124 was costing only \$8.59 a month. It occurred to her that there might be a real saving in interest if they borrowed from the Credit Union to pay off the stores.

This family was paying \$100 a month on the three accounts and were prepared to pay that much on the total loan from the Credit Union. This meant that they would be able to pay off \$4.00 a month more on what they owed without increasing their payments.

15. In May, 1961 our Manager was contacted by a local insurance salesman with a request that we try to help a man who was in his office. On being interviewed the man, who was extremely distraught and desperate, explained that, after having paid \$2,500 on his \$3,500 home over a period of 5 years, he was about to be foreclosed and lose everything because he was temporarily unemployed and could not make his payments. He also owed a finance company \$500 that he had borrowed to cover the back interest payments owing on his mortgage. Investigation indicated that the proximity of the man's property to the new highway had increased its speculative value and the mortgage holder had badgered and bullied the man and his wife continually to sign a quit claim to the property. The man was practically incoherent from worry and frustration from trying to raise the money at other business places and from friends. Our Credit Committee obtained a credit rating which indicated that the man, though ill-educated, untrained and employed intermittently, was a good risk and owed no large number of debts. They approved a loan application, paid off his house and other accounts and obtained title to his property as security. His total loan of \$2,000 is repayable at \$40 per month plus \$10 to his share account. The man got a job the next week, has worked steadily ever since and his payments are very regular and even paid in advance. He now walks with his head up and a firmer step.
16. A young working girl, referred by a member, owed a ladies clothing store about \$50 on time payments. Her payments of about \$15 per month were being continually offset by finance charges of about \$5 added on each month and she felt she would never get it paid off. We loaned her enough to pay out the account, at repayment terms of \$15.00 per month plus interest and \$2.00 to her share account. She is now on her second loan (for Christmas expenses) and she continued her savings during the time between loans. She now borrows here when she needs money and saves regularly, something she had never done before.
17. A young department store assistant manager, transferred here from another town, wife pregnant, and just enough funds to pay one month's rent on an unfurnished house, had no furniture at all. The Credit Committee obtained a credit rating and advanced him \$200 loan for purchase of household furniture; loan repayable at \$15 per month including interest and \$2 to his share account. He makes payments regularly and has a growing savings account.
18. Elderly man, over 70, purchased a small home for retirement and used all savings finishing it up. Only income is old age pension for self and wife. Needed \$200 to install gas heating. Could get no credit at all due to age. We loaned him the \$200 with his son as co-signer. Payments now in advance of due date and they have a comfortable home for their last years. Payments \$10 per month plus interest.
19. Our only Canadian Indian member, due to a large family, living on the Reserve and poor use of credit in the past, could get no local credit for purchasing new furniture for house he was building. After checking employment (10 years on same job) we advanced him \$200 to buy furniture. No security. First payment made before due date. Payments \$18 including interest and \$2.00 to share account. He is now saving as well as repaying his loan.



20. Young married teacher with three children, fired from two teaching jobs because of garnishees. Total debts over \$3,000. Referred to us by his minister who advised us that the man's wife was on the verge of suicide from worry and depression and undernourishment from constant browbeating, threats and bullying from creditors and from spending too little of the family income on food in order to pay more on debts. A lot of his debts were partial consolidations with various finance companies with exorbitant add-on charges. This man (a good teacher and an immigrant from England) and his wife were impulse buyers, poor shoppers and woefully ignorant of family financing or any financing. Because of the complexity of his indebtedness and his own general vagueness (caused possibly by worry), the Credit Committee at first turned down his application. After a further request by his minister, who is a good Credit Union member and who had offered to co-sign, and a two hour visit to their home by our Manager who laid the facts of life on the line, our Credit Committee agreed to take the risk and approved up to \$3,000 according to the security he could produce. With numerous co-signers, a chattel mortgage on everything he owned and a 100% salary assignment from his employer, we paid out \$2,500 of his accounts repayable at \$75 per month including interest plus \$5.00 to his share account, the balance of his salary into his chequing account with us where we can keep track of his spending. He has now moved into a cheaper house with cheaper heating closer to his work and his employer is quite happy. This man also holds up his head now and his wife, as you can guess, is more than grateful. We paid out 26 accounts for him on which the payments per month totalled half again as much as his monthly salary.
21. A young girl working in a very low paid occupation needed \$100 worth of dental work done. The other financial institutions were too expensive for her. We loaned her \$100 for the work on her mother's signature as co-signer, repayable at \$9 per week including interest plus \$1.00 to her share account.
22. This man, young, married, one-legged compensation case, had a small shoe repair business and was about to be foreclosed on his shop equipment for being behind in his payments. He was referred to us by the Compensation Board Rehabilitation Officer who is a credit union member in Vancouver. After investigation, we loaned the man \$1,079 to pay out his account, repayable at \$75 per month since reduced to \$40 per month.
23. This story concerns Mr. D. who has been a member of this Credit Union since it was formed. Mr. D. had never been a very large shareholder but he had always been a good borrower. In January of 1960 Mr. D. borrowed the sum of \$200 from the Credit Union which, added to his existing loan, brought his total to \$2,267. On February 14th he had a heart attack and was confined to hospital and home for six months. At that time the Credit Union had Temporary Disability Insurance coverage and CUNA Mutual Insurance Society paid us \$375 which amount was credited to Mr. D's loan. Mr. D. was able to return to his work and made two payments on his account and then suffered another attack. This was severe enough to cause his employer to terminate his employment on pension. The Credit Union made a final claim to CUNA Mutual Insurance Society under our Permanent Disability coverage and on January 17, 1961 we received their cheque in the amount of \$1,916.42 to pay in full the loan that we had granted to Mr. D.
24. Mr. Alfred H. was charter member number 25 of Iovan Credit Union, which was established in 1944. At that time he was 25 years of age, married and had one child. He was employed as a truck driver, earning normal wages. However, his family continued to grow and with additional responsibility it was necessary to borrow money for various emergencies. He was fortunate that he was a member of Iovan Credit Union since money was available at reasonable interest rates.
- Mr. H. was a veteran of World War II and had suffered some internal injury. While he was always able to receive medical care in this respect at Shaughnessy Hospital, it created certain hardships. He would have been

Young married couple, living in a small house in the city, had a son, a boy of five years, who was very healthy and strong. The mother was a very good woman, and the father was a very good man. They were both very kind and loving to their son, and he was very happy and contented. One day, the mother was sitting in the kitchen, and the father was sitting in the living room, and the boy was sitting on the floor, playing with his toys. The mother was looking at the boy, and she was thinking about how much she loved him. The father was looking at the boy, and he was thinking about how much he loved him. The boy was looking at his toys, and he was thinking about how much he loved them. This was a very happy day for the family, and they were all very contented.

A young girl was sitting in a room, and she was looking at a picture of a boy. She was thinking about how much she loved him, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him.

There was a young man, and he was sitting in a room, and he was looking at a picture of a girl. He was thinking about how much he loved her, and he was thinking about how much he wanted to be with her. He was looking at the picture, and he was thinking about how much he loved her. He was looking at the picture, and he was thinking about how much he wanted to be with her. He was looking at the picture, and he was thinking about how much he loved her. He was looking at the picture, and he was thinking about how much he wanted to be with her.

There was a young woman, and she was sitting in a room, and she was looking at a picture of a man. She was thinking about how much she loved him, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him.

There was a young man, and he was sitting in a room, and he was looking at a picture of a woman. He was thinking about how much he loved her, and he was thinking about how much he wanted to be with her. He was looking at the picture, and he was thinking about how much he loved her. He was looking at the picture, and he was thinking about how much he wanted to be with her. He was looking at the picture, and he was thinking about how much he loved her. He was looking at the picture, and he was thinking about how much he wanted to be with her.

There was a young woman, and she was sitting in a room, and she was looking at a picture of a man. She was thinking about how much she loved him, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him. She was looking at the picture, and she was thinking about how much she loved him. She was looking at the picture, and she was thinking about how much she wanted to be with him.



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SCHEDULE 7

unable to receive insurance for these health reasons, yet with the Credit Union all of his personal shares up to \$2,000 were covered with an equal amount of insurance. All personal loans up to \$10,000 were covered by insurance against death or total disability.

During the years his family grew and in the spring of 1961 a further son was born, making his family total five from the ages of 1 to 19 years. He was unable to accumulate a large savings balance with Iovan; however, necessity caused him to have numerous loans through the years.

Very suddenly on May 18, 1961 he had to leave work, due to illness, and was hospitalized. Medical authorities were unable to clearly decide what the difficulty was; however, he appeared to be suffering from a form of leukemia.

On July 30, 1961 Mr. H. died, leaving his wife and family with a small home. His wife would have many more years of responsibility. Fortunately he has worked for a good employer through whom he had participated in various plans such as survivor benefits, group insurance, and a savings plan.

At the time of death he had shares of \$451.25 with Iovan and an outstanding loan of \$1,302.93. Instead of owing a net of \$851.68, under the Credit Union insurance coverage his loan was wiped out in full and his widow received a cheque from Iovan Credit Union for \$902.50 - made up by his share balance and the insurance on his shares.

This is briefly the story of a man who had worked hard for many years to provide for his family. Death did not allow him to complete his responsibility, but due to a good employer and the Credit Union, as a place to save and borrow money, his widow is now in a position to fulfill his obligations.



SCHEDULE 8

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 8

TO BRIEF OF B. C. CREDIT UNION LEAGUE

NON-AFFILIATED CREDIT UNIONS

1. Stanovan - Vancouver

Common bond	- employees of Standard Oil Company
Members	444
Assets	\$410,000
Loans	\$330,000

2. Van Sun - Vancouver

Common bond	- employees of Vancouver Sun Newspaper
Members	647
Assets	\$630,000
Loans	\$490,000

3. Van-Tel - Vancouver

Common bond	- employees of Vancouver Telephone Company
Members	3,938
Assets	\$2,000,000
Loans	\$1,200,000

Comment: was a member of the League in the early days when it was much smaller credit union. Still maintains a very close relationship with the League.

4. Fraternal Council - Vancouver

Common bond	- members of the Fraternal Council which is a group of organizations
Members	67
Assets	\$9,000
Loans	\$3,000

5. Rossland - Rossland

Common bond	- community
Members	1,815
Assets	\$1,700,000
Loans	\$1,200,000

6. North Thompson Savings - Clearwater

Common bond	- community
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Comment: this is a credit union recently organized with the help of the League. Their application for affiliation is pending.



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SCHEDULE 9

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 9

TO BRIEF OF B. C. CREDIT UNION LEAGUE

1. Four hundred and ten credit unions have been chartered in British Columbia since the first incorporation.

Three hundred and twenty-six credit unions are still chartered.
2. Of the eighty-four credit unions whose charters have been cancelled:
 - (a) fifty-one amalgamated with other credit unions;
 - (b) thirty-three dissolved.
3. From the League files it appears the reason for dissolutions were:
 - (a) seven for lack of interest;
 - (b) two because of poor management;
 - (c) five too small potential;
 - (d) four because the firm to which they were attached closed down;
 - (e) five community credit unions closed out temporarily and subsequently re-chartered, and are presently chartered;
 - (f) ten charters cancelled for no stated reason, but a combination of the above.
4. The League is advised by the Inspector of Credit Unions that his records show that no persons have suffered any loss through the amalgamation or dissolution of any credit union in British Columbia.



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ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 11

TO BRIEF OF B. C. CREDIT UNION LEAGUE

1961 TRAINING PROGRAM BY B. C. CREDIT UNION LEAGUE

<u>Number of Programs</u>	<u>Types of Training Programs</u>	<u>Numbers in Attendance</u>
380	Treasurer's assistance in book-keeping and office management.	460
168	Board and Committee meetings	1542
104	Chapter Meetings (officer training)	2326
68	Officer Workshops (one day officer training sessions)	1650
40	Treasurer Workshops (staff training)	560
1	Seminar for Credit Union Managers (in residence University one week training course)	56
1	Supervisory Committee Night School (auditing course for Supervisory Committee members)	17
110	Membership Meetings (educational meetings for credit union members)	6370
22	Loss Prevention Education (Board and Supervisory Committees)	158



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Schedule 12

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 12

TO BRIEF OF B. C. CREDIT UNION LEAGUE

CREDIT UNION RESERVE BOARD

96 E. Broadway,
Vancouver, B. C.

Brief Summary of Assistance Granted

February 5, 1962

The Board has been able to render assistance to three credit unions, which for different reasons have been placed in difficulty and have required assistance.

1. Britannia Credit Union

This Credit Union was incorporated in 1953. Its membership was limited to persons resident in Britannia Beach and Mount Sheer and District in the employ of Britannia Mining and Smelting Company and their immediate families.

Quite suddenly the Company, which had mined at Britannia for many years, announced that it was closing down operations almost immediately. That was on February 27, 1958. As of that date the credit union had 351 adult members and 165 juveniles, and assets of \$108,848.00 of which junior savings represented \$3,504.00. The outstanding loans were \$80,673.00.

As Britannia was a company town, all members were not only affected in their employment by the closing of the mine but a great many had to relocate.

The Credit Union paid out the shares of all junior members and limited withdrawals of adults to 25% of unencumbered shares.

In June 1958, before the Credit Union Reserve Board had been officially constituted, various credit unions made application for membership in the Britannia Credit Union and deposited \$11,030.00 in share accounts, and a further \$7,000.00 was made available to the credit union from a Trust Fund set up by the B. C. Credit Union League.

The Directors then set about the arduous task of collecting the loans. The members made commendable efforts towards repayment of outstanding loan balances.



Schedule 12

In November 1959 and April 1960 the Credit Union was able to repay the investments by other credit unions in substantial amounts. In August 1960 the Credit Union borrowed \$6,000.00 from the Reserve Fund to clear off these obligations. The loan from the Reserve Board has now been repaid and loan balances in favour of the Credit Union outstanding have been reduced to \$8,000.00. There appears no doubt that any members will suffer by reason of this unexpected disruption of the Credit Union's operations.

2. Kitimat & District Credit Union

This Credit Union was situated in the community brought into being by the Aluminum Company of Canada in northern B. C. A thriving credit union had been established when unexpectedly the production at Kitimat was substantially reduced. Nearly 2,000 out of 3,600 employed men were thrown out of work. An immediate need for funds by these persons to locate in other places resulted in substantial demands to withdraw shares from the Credit Union.

It was expected the Credit Union could have weathered the storm had the Reserve Board been in a position to make an interest free loan. However, the legislation then existing would not permit this type of assistance unless the Board could be certain of 100% recovery.

The Reserve Board made a grant of approximately \$60,000.00 to enable the old Credit Union to liquidate and took an assignment of its loans likely to be difficult to collect and of its equipment. The members of the Credit Union remaining in the district started a new credit union, transferring their savings and assuming loans outstanding by persons still resident in the district.

The Reserve Board has recovered approximately \$6,000.00 from sale of equipment and collection of loans to date. It is anticipated that further recoveries will be made on the remaining loans assigned to the Board in the amount of \$35,000.00.

3. Fort Nelson Credit Union

This is a Credit Union in a growing but isolated northerly community in B. C. It had acquired property for its own development in a prosperous period. Since then it has suffered substantial share withdrawals which made it impossible for the Credit Union to operate and re-establish itself with so much invested in property. It called on the Reserve Board for assistance. The Board found the property to have a good market value, but to realize upon it there would be some delay. The Board has made a grant of \$18,000.00 to the Credit Union and has taken an assignment of the property. It expects to make full recovery. The Credit Union now with liquid assets should be able to carry on, on a sound basis.

"D. W. BENTLEY"

Secretary



SCHEDULE 13

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 13TO BRIEF OF B. C. CREDIT UNION LEAGUE

Required bonding schedule
applicable to all credit
unions in British Columbia

Rule 56 of Schedule 2 of the "Credit Unions Act, 1961" being
a Rule prescribed by the Attorney General for all credit unions:

"56. The minimum amount and type of security to be
given for every officer of the credit union under
Section 36 of the Act shall be determined from time
to time by reference to the following schedule:-

Assets of the Credit Union (less Outstanding Balance of Loans Granted by It for the Purchase of Its Shares)	Coverage A	Coverage B and C	Coverage D
Up to \$10,000.00	100% of Assets	\$1,000.00	\$1,000.00
\$10,001.00 to 20,000.00	100% of Assets	1,500.00	1,500.00
20,001.00 to 35,000.00	100% of Assets	2,000.00	2,000.00
35,001.00 to 50,000.00	100% of Assets	2,500.00	2,500.00
50,001.00 to 70,000.00	100% of Assets	3,500.00	3,500.00
70,001.00 to 100,000.00	100% of Assets	4,000.00	4,000.00
100,001.00 to 150,000.00	100% of Assets	5,000.00	5,000.00
150,001.00 to 200,000.00	\$150,000.00	7,500.00	7,500.00
200,001.00 to 300,000.00	150,000.00	10,000.00	10,000.00
300,001.00 to 500,000.00	150,000.00	12,500.00	12,500.00
500,001.00 to 750,000.00	150,000.00	15,000.00	15,000.00
750,001.00 to 1,000,000.00	150,000.00	20,000.00	20,000.00
1,000,001.00 to 2,000,000.00	200,000.00	25,000.00	25,000.00
Over \$2,000,000.00	200,000.00	25,000.00	25,000.00

Coverage A means fidelity indemnity insurance covering loss due
to dishonest acts committed by employees. Coverage B and C means
indemnity insurance covering loss inside and outside the premises
of the credit union occasioned by destruction, disappearance, and
wrongful abstraction of money, securities, and other property.
Coverage D means indemnity insurance covering direct loss due to
forgery or alteration of instruments, negotiable or otherwise."

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 14TO BRIEF OF B. C. CREDIT UNION LEAGUE

Schedule showing the extent to
which credit unions maintain
liquidity reserves (except cash)
in B. C. Central Credit Union

Extract from Survey Report, Financial Section, page 60:

LIQUID RESERVE FUNDS ON HAND AT LAST BALANCE SHEET DATE

AMOUNT OF ASSETS	CASH AND DEMAND DEPOSITS	1 YEAR TERM DEPOSITS	BONDS	TOTAL
1 - \$25,000	81,069	13,827	3,000	97,896
25 - 50,000	185,458	45,138	1,900	232,496
50 - 100,000	349,182	134,326	11,021	494,729
100 - 250,000	576,533	444,139	20,343	1,041,015
250 - 500,000	546,198	460,915	64,850	1,071,963
500 - one million	838,433	734,573	29,271	1,602,277
one - two million	561,401	731,185	622,492	1,915,078
over two million	615,641	646,756	-	1,262,397
TOTALS	3,753,915	3,211,059	752,877	7,717,851

From information provided by the Inspection Department of the
Government as at 31st December, 1960 (excluding some 27 credit unions not
filing returns) the figures at that date in accordance with the above table
were:

3,739,956	5,052,367	1,297,969	10,090,292
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Vethercut & Young
Toronto, Ontario

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SCHEDULE 15

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 15

TO BRIEF OF B. C. CREDIT UNION LEAGUE

DISTRIBUTION OF LOAN ACTIVITY

DEBT CONSOLIDATION	PRIVATE CARS	COMMERCIAL CARS, TRUCKS	HOUSEHOLD EQUIPMENT	HOME IMPROVEMENT	LAND AND BUILDINGS	FISHING BOATS & GEAR	MEDICAL BILLS	OTHER	TOTAL
				- PERCENT -					
Under 25,000	19	14	2	11	9	1	3	30	100%
25 - 50	16	26	1	6	13	-	2	20	100%
50 - 100	15	25	2	9	16	2	3	17	100%
100 - 250	15	21	3	8	19	1	2	20	100%
250 - 500	15	21	3	6	27	2	1	15	100%
- 1 million	14	20	1	6	21	-	1	25	100%
1 million and over	16	17	2	4	26	6	1	18	100%
AVERAGE	16	21	2	7	12	2	2	20	100%



ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 15

TO BRIEF OF B. C. CREDIT UNION LEAGUE

PERCENTAGE DISTRIBUTION IN DOLLARS IN EACH CLASSIFICATION, AMONGST DIFFERENT SIZES OF CREDIT UNIONS

[illegible]

1. Some categories of loans covered by the miscellaneous column in the loan activity schedule are: car insurance, taxes, vacation, insurance, farm operations, student loans, education, feed and livestock, logging and lumber operations, weddings, funerals, business investments. Christmas, school supplies, hunting equipment, car repairs, clothing.

2. These figures are compiled from replies to a questionnaire sent to all credit unions by the League in December, 1961.

A copy of the questionnaire follows these notes. At the date of preparing this Schedule, January 25, 1962, replies had been received from 62% in number of all credit unions. Most replies covered the period from January 1, 1961 to November 30, 1961.



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Toronto, Ontario

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SCHEDULE 15

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 15

TO BRIEF OF B. C. CREDIT UNION LEAGUE

LOAN ACTIVITY QUESTIONNAIRE

TO: B. C. Credit Union League,
Room 14 - 96 East Broadway,
VANCOUVER 10, B. C.

Please indicate the total amount of loans granted in the undermentioned categories during 1961. If possible, this should be for the period ending 30th November, 1961, but if some previous month-end is more convenient, this will be satisfactory; but please indicate at the foot of this form in space provided.

Urgency is of paramount importance. If only 1960 figures are immediately available, then please supply these, and so indicate.

- | | | |
|--|----|-------|
| (a) Consolidation of bad debts | \$ | _____ |
| (b) Purchase of private cars | \$ | _____ |
| (c) Purchase of commercial cars and trucks | \$ | _____ |
| (d) Purchase of household equipment | \$ | _____ |
| (e) Home improvement | \$ | _____ |
| (f) Purchase of land and buildings | \$ | _____ |
| (g) Fishing boats and gear | \$ | _____ |
| (h) Medical bills | \$ | _____ |
| (i) Other | \$ | _____ |

* Total amount of loans granted in this period \$ _____

* Figures supplied are for period commencing 1st January, 1961 and ending last day of _____, 1961 (or, if otherwise, specify).

Credit Union

Address



BANKING AND COMMERCE

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APPENDIX "B"

BRIEF TO THE COMMITTEE ON BANKING AND COMMERCE,
PARLIAMENT OF CANADA

RE

FISHERIES LOAN IMPROVEMENT ACT—BILL NO. 452

These representations are made on behalf of the *Credit Union League of the Province of British Columbia* which represents all but 4 of the 307 credit unions incorporated in that Province. The last financial and statistical report of the Inspector of Credit Unions for British Columbia shows that the total assets of credit unions in the Province at December 31st, 1954 were \$35,428,619.64, \$27,226,469.89 of this amount represented paid up share capital. This may give the Committee some picture of the size of the Credit Union Movement in B.C. If you compare the present assets with the total assets of credit unions in British Columbia in 1952 as shown in the 1954 Canada Year Book you will observe the growth of credit unions in B.C. In that year the total assets of credit unions in B.C. was approximately \$22,000,000.00, this represents a better than fifty percent increase in assets in two years.

Of these credit unions there are approximately eight on the West Coast of British Columbia which are predominantly fishermen's and which from time to time lend money on the security of fishing vessels and gear. Of these eight there are four of considerable size, the largest is Prince Rupert Fishermen's Credit Union which at the end of May had total assets of \$1,750,000.00, \$930,000.00 of which was represented by shares and \$650,000.00 by deposits, the balance being made up of reserves of various kinds. This Credit Union has since its incorporation in or about 1940 lent a total of \$8,500,000.00 to fishermen and their families. In total over 6500 loans have been made and of that number only 35 have been written off, in a total sum of \$7,337.59. At present it has \$1,470,637.00 out on loan. Of that sum only 2% are 3 months or more delinquent in repayment and all loans are secured. None of the loans of this Credit Union are secured on real property and a very large percentage are secured by vessels and fishing gear.

The next in size is Gulf & Fraser Fishermen's Credit Union in Vancouver which has total assets of \$959,925.00 of which shares total \$556,701.00. Since December 1941 this Credit Union has loaned \$2,520,000.00 of which only \$4,079.98 has had to be written off as bad debts. I am advised by the inspector of Credit Unions that of the \$803,000.00 they now have out on loan at most 1 to 1½% could be considered doubtful accounts. In the first 5 months of this year 31% of its loans were for the purposes of financing the purchase of boats, gear etc. and repairs and only 2 of these loans exceeded \$4,000.00.

There are two smaller fishermen's Credit Unions on which I have some figures available and which are engaged in this type of loaning. Ladner Credit Union at the mouth of the Fraser River has total assets of \$131,000.00 of which \$122,000.00 is share capital. It has loaned since 1946, a total of \$376,000.00 and has only written off \$1,352.69. Its present loans outstanding are \$121,000.00. West Coast Credit Union which services the fishermen on the isolated West Coast of Vancouver Island has \$259,000.00 total assets of which \$155,825.00 represents shares. It has lent \$1,300,293 since its incorporation in 1944. While its actual write offs have only been \$20.74 I am informed by the Inspector that approximately 5 to 7 thousand may be doubtful accounts. Its present loans are \$234,239.00.

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STANDING COMMITTEE

These credit unions lend money on this type of security at the present time at 6%. All of them, out of the 6% pay for insuring the loan for the benefit of the member. In other words, if the member dies or becomes permanently incapacitated the loan is paid off out of this insurance.

It will be apparent from the above figures that for many years when other financial institutions were hesitant or in the case of the banks, unable to grant loans on this type of security, the Credit Unions have provided fishermen on the West Coast with loaning facilities. They have done so in large measure on the security of fishing vessels and gear at very reasonable rates of interest considering the fact that out of this low rate of interest they insured the loan for the benefit of the member. They have suffered negligible losses.

It is therefore naturally with some concern that the credit unions in B.C. have observed that Bill 452 fails to recognize the service which fishermen's credit unions have heretofore provided in this field and fails to give to them an equal opportunity with the banks to continue to serve the fishermen of this Province in just as favourable a position as the banks would be under the Bill. If, as indicated in previous debates in this House and in the speeches recently made in the H. of C. the members of this House have great admiration for the amazing pioneering work which the credit unions have done, we of the Credit Union Movement in British Columbia find it extremely difficult to reconcile this expressed admiration with the proposal not to include credit unions as authorized agencies under the Bill.

I am informed that in the House the Honourable the Minister of Fisheries in speaking with respect to the resolution stated:

Therefore in guaranteeing loans to the chartered banks we have the knowledge that we have very close control over the uses we are making of the taxpayers' monies. On the other hand there are many hundreds of credit unions across the country which are not under Federal control but under varying types of Provincial Legislation. We have no way, without intruding in the Provincial field of inspecting the facilities and management of these credit unions. I do not think it is reflecting on the Credit Union Movement at all to say credit unions are not quite as stable as chartered banks. Occasionally credit unions do get into financial trouble.

This was one of the reasons advanced by the Minister as to why credit unions were not included in the Bill. With the greatest respect to the Minister, and I might say in the Province of British Columbia particularly in the fishing industry, the Honourable the Minister of Fisheries is held in high respect, no one surely would suggest that just any credit union at all would be entitled to make loans guaranteed by the Government for the limited purposes of this Act and certainly there are thousands of credit unions who would have no opportunity to or interest in making such loans. The credit unions which are interested are those which have in their membership fishermen. Hence the number of credit unions with which the House would be concerned, if appropriate amendments were made to the legislation to permit loans to fishermen's credit unions, would be a relatively small number.

In the Province of British Columbia, and I am sure in all of the other Provinces, the Provincial Governments maintain efficient inspection services whose primary concern is to obtain constant reports on the financial position of credit unions and to exercise supervision and control over them. I have conferred with the Attorney General for British Columbia and the Inspector of Credit Unions concerning the matter of this Bill and the representations which I am making here today and I am assured that the Inspector would both be authorized to and willing to provide the Minister, or such official of

BANKING AND COMMERCE

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the Federal Government as he or the Act might designate, first of all with a statement of his opinion as to the stability of any credit union desiring to be an authorized agency under the Act, and secondly with quarterly financial information concerning such credit unions.

It is true, as the Minister says, that Parliament must be concerned with the uses which are made of the taxpayers' monies. However, I would point out to the Committee that of the total amount of money loaned by the Credit Union to Fishermen under the Bill at most the Dominion Government would be liable for only 15% and the remaining 85% would be the monies of a large body of the fishermen themselves in their credit unions. These being the monies of hundreds of fishermen it is equally in the public interest that the Provincial Government be responsible to supervise and to make certain that these funds are protected.

Therefore to protect its interests we see no necessity whatsoever for the Dominion Government, if it is prepared to co-operate with the Inspectors of Credit Unions in the various Provinces, intruding into the Provincial field of inspecting the facilities and management of these credit unions. The Dominion Government could in the manner which I suggest satisfy itself as to the stability of the lending agency; place such limits as it sees fit on the use of the powers extended as to the guarantee; and exercise reasonable controls as to the extent of its liability without interfering with the full exercise of jurisdiction by the Provinces over credit unions.

As to the comment of the Minister concerning the stability of credit unions in relation to the Banks I would be less than frank if I did not acknowledge that there may be a small number of credit unions which are not as stable as we might like to see them but surely a certificate of the opinion of the Inspector of Credit Unions for the Province, together with a financial history and current financial statements would provide the Minister with reasonable and proper information upon which he could allow or discontinue the authority to a credit union to act as an authorized agency under the Bill.

Having regard to the history of the fishermen's credit unions for the past 15 years in the Province of British Columbia; to the service which they have performed, to their present stable condition and to the remarkable absence of losses it appears somewhat unfair because of the possible instability of a few of the 4,000 credit unions in Canada to question their stability. I have given you the figures with regard to the major fishermen's Credit Unions and can assure you that the total picture of credit unions in British Columbia shows a similarly stable situation. I feel certain that you will be impressed by them as I am.

I have already referred to the very light percentage of the total assets of Credit Unions made up of share investment in British Columbia 27 million out of 35 million. There is no greater evidence of stability of a corporate body than its risk capital. I do not hesitate to say that no other lending institutions in Canada have such a high proportion of risk capital employed i.e. 80%. Most of them have only 10 to 20% invested in shares and reserves and the balance represents borrowed money. This again is cogent evidence of the Credit Unions' stability.

The minister then proceeded with respect to the resolution to state:—

The second reason I recall was the fact that the type of security which must be taken to protect the taxpayers' money under this kind of legislation is in general a little different from that required by the credit union associations themselves. There is perhaps one point which we have missed. When the Government encourages the banks to go

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into what is the riskiest part of fishermen's credit, that is loans based on their fishing gear and their fishing vessels they are taking on the most difficult borrowing and the borrowing on which there is the highest expectancy of loss off the shoulders of the credit unions.

I am sure that if the Minister had been provided with the figures which I have quoted to this Committee and had been informed of the full history of the fishermen's credit unions on the West Coast of British Columbia he would not have made that statement. As I have indicated from thirty to forty percent of the ten or fifteen million dollars which these credit unions have loaned to fishermen and their families in the past fifteen years have been on the very securities to which the Minister referred i.e. fishing vessels and gear. I have also indicated in the figures which I have given to the Committee that there has been written off against such loans a very small percentage of losses and there are an equally small percent of doubtful accounts. Unfortunately the figures which I have, include write-offs for all types of loans and not just for this type, but manifestly it is clear from these figures that the percentage of loss on this type of loan by the credit unions has been negligible—less than 2% on bad and doubtful accounts. I suggest to the Honourable Members of this Committee that these figures not only show that the fishermen's credit unions on the West Coast of this country are stable organizations but also show that they are organizations well adapted to loaning money on the basis proposed to be loaned under the Bill.

If I might be permitted to say so, I respectfully suggest that the reason that the losses of the fishermen's credit unions have been so low is because credit unions by their very nature are in the best position of any financial institution to determine the wisdom of making such loans and to enforce the payment thereof. The fishermen in a sense belong to a community of their own and they mostly live along side other fishermen. Like other human beings, fishermen might be prepared to avoid their liabilities to any other type of financial institution but they know that if they avoid their liabilities to the credit union that they are accountable to their fishermen neighbors who belong to the same organization and whose money they have had the use of. For this reason I suggest that if what this House is looking for is stability of administration and an assurance that the guarantee which it proposes to give not be called upon even to the full extent provided in the Statute, they should have greater regard to the actual loss history of credit unions and not to control. They could exercise no greater wisdom than to use the fishermen's credit unions to make such loans with reasonable safeguards through regular periodic reports from the Inspector of Credit Unions in the Province.

Now the Minister further suggested that if the banks took over this area of services to fishermen, which the credit unions have for the past fifteen years so efficiently provided, the credit unions would be free to devote their funds to other credit needs of the fishermen. The suggestion contained in the statement by the minister is that the fishermen's credit unions do not have sufficient funds to finance the needs of their members. I have to point out to this body that the fishermen's credit unions to which I have referred in the Province of British Columbia all have surplus funds during most, if not all, of the fiscal year. If they do not have surplus funds in the way of shares or deposits on hand they have the authority to and do in fact borrow money from B.C. Central Credit Union, a credit union owned and controlled by the credit unions of the Province of British Columbia. Rarely, if ever, have they felt the necessity to borrow to the limit of this statutory power. Whatever may be the situation with fishermen's credit unions elsewhere, in British Columbia,



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Fishermen's Credit Unions do not lack of funds from which to meet the needs of fishermen who are their members. Having regard to the tremendous growth in assets in the credit unions in British Columbia in the last two years it appears most unlikely that that problem will become a serious one.

However, I am informed that in 1953 the value of the capital equipment in primary fishing operations on the West Coast of British Columbia amounted to some forty-five million dollars in ships and boats and seven million dollars in nets and other gear. The fishing fleet on the West Coast was composed of 897 vessels over ten tons and 7,584 smaller vessels.

It is clear from these figures that there is still a great area of service to the fishermen in providing reasonable loans for the purposes of their vessels, repairs, equipment and gear. Possibly with the impetus which will be given by the passage of the Bill much greater demands may be made upon the credit unions for loans of this type. This possibility I have discussed with our Attorney General and our Inspector of Credit Unions before coming to appear before this Committee and I have reasonable assurance from them that in the event that the stable fishing credit unions of the West Coast are recognized as agents for loaning under this legislation, the Provincial Statute of British Columbia would be amended to permit much wider borrowing powers with respect to loans guaranteed under this Act. Hence, in addition to the present assets of the fishermen's credit unions, they will be able to borrow monies from B.C. Central Credit Union to enable them to meet such increased demand. Therefore with respect I suggest that this Honourable Committee need not be concerned that by inciting the need for this type of loan, fishermen on the West Coast will be deprived of the opportunity of using their credit unions to meet their other financial needs.

There are many credit unions in Canada in provinces which have no direct interest in the fishing industry who may not appreciate the benefit and wisdom of the kind of legislation represented by Bill 452. In the Maritime Provinces of Canada, and I speak particularly for the Province of British Columbia, however, the concern of the Federal Government for the welfare of fishermen and of the fishing industry demonstrated by this legislation is greatly appreciated. At a time when most other industries in Canada were still sharing the post-war prosperity between 1950 and 1952, the fishing industry suffered a tremendous set-back in low prices and the inability to dispose of the canned salmon pack. The returns to fishermen in those years were exceptionally low and have never returned to the previous high level. Accordingly, the making of credit more readily available to fishermen through the guarantee of the Dominion Government will be of great assistance in the Maritime Provinces. The credit unions in those provinces appreciate this situation and are anxious that the fishermen through their credit unions may have the benefit of this legislation.

Some credit unions, particularly those who have no vital interest in the fishing industry, such as we have in British Columbia, and having regard to the statement of the Minister of Fisheries in speaking to the Resolution where he referred to the control which the Federal Government exercises over the banks may have become alarmed that the inclusion of credit unions as a loaning agency under the Act might result in some federal control of credit unions, which they naturally and properly recognize to be matters of provincial jurisdiction. The Credit Union Movement has enjoyed its rapid development under the friendly and encouraging supervision of the Provinces and are jealous to maintain that relationship.

I wish to be quite clear that it is the attitude both of the Provincial Government of the province of British Columbia and of the credit unions that credit unions are properly under the jurisdiction of the Provincial Govern-

STANDING COMMITTEE

ments and neither the Provincial Government or the credit unions are inviting this House or are they desirous of having the Federal Government encroach upon that jurisdiction. The Minister in his speech in the House of Commons indicated that he had no desire to intrude into the Provincial field. It is our submission, however, that, recognizing credit unions as institutions created by Provincial Legislation, the Government of Canada could if it wished to do so, recognize those credit unions operated by the fishermen as agents of the Dominion Government for the purpose of guaranteeing loans made by them in the exercise of their provincial authority without in any way encroaching upon the jurisdiction of the Provincial Governments and the autonomy of the credit unions as Provincial institutions.

I therefore am instructed to suggest to this Committee that there be added to the definition section of the Act the following:

"Lending institution" includes a bank or any other lending institution designated by the Minister

and that the phrase "lending institution" be substituted for the word "bank" throughout the legislation wherever the same is appropriate exclusive of Section 8. If this suggestion were adopted by the Committee it would allay any alarm as to the Federal control of Credit Unions and it would be possible for the Minister to satisfy himself in such manner as he thought proper that any credit union seeking to be designated was a stable organization and that proper safeguards might be provided for the protection of the public funds represented by the guarantee. Further it would eliminate the necessity of this House at this late date in the session trying to work out just what credit unions should be recognized and the safeguards to be applied. We are prepared to rely on the good judgement of the Minister when the facts are before him.

The Act presents another problem, if I interpret it correctly in that a guarantee to a bank is 15% for the first half million dollars and then 10% on additional funds loaned. If, as I take it, this refers to the Bank as an institution incorporated under the Bank Act and not to each branch of the Bank I can readily recognize that it would be unfair that a number of credit unions in the province of British Columbia should have a 15% guarantee on half a million dollars each when the whole of the Royal Bank of Canada, for instance, would have to guarantee 15% on half a million dollars and only 10% on additional amounts. There is no practical way that I see of pooling the loans advanced by credit unions under the Bill and, accordingly, my suggestion would be that in the event of the Minister designating any institution other than a bank as a lending agency under the Act the guarantee would be 10% in all cases irrespective of the aggregate amount of the loans. This could be simply remedied by an appropriate addition to Section 6 of the Bill.

Having regard to the excellent history of the fisherman's credit unions in the province of British Columbia they would not be greatly concerned about the loss of the additional 5% guarantee.

If, notwithstanding the facts which I have presented to this Committee relative to the stability, the loss history and the desire to be of service to the fishermen of the fishermen's credit unions in British Columbia, the Committee consider that it would not be possible for the Minister under the proposals which I have made to reasonably protect the public funds represented by the proposed guarantee, then as an alternative we in British Columbia would propose that some means be devised to make use of the Central credit unions which have registered under the Co-operative Credit Associations Act and have thereby come under the jurisdiction of the Superintendent of Insurance for Canada. These Central organizations are limited both by their consti-



BANKING AND COMMERCE

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tutions and under the Act to having only corporate members and making loans only to their members. Accordingly, it would not be possible for them to make loans directly to fishermen as is contemplated by the legislation as drawn. It appears to us that it would be feasible for the Federal Government to exercise satisfactory control over loans made through credit unions if the loaning credit unions, in order to benefit by their guarantee were required to re-finance such loans in whole or in part with a Central organization registered under the Co-operative Credit Associations Act. Through its control over the Central Credit Union the Dominion Government could thereby indirectly and within the proper exercise of its constitutional jurisdiction have a reasonable and effective control over the loans granted by the credit unions.

I would like it clearly understood that I put forward this last proposal definitely as an alternative. Although it might appear to be the simpler answer to the question of controlling losses made to Credit Unions if in the Bill the reasons I put it forward as an alternative only are as follows: Firstly the Fishermen's credit unions themselves over a period of fifteen years have shown sufficient stability and efficiency as lending institutions to justify their recognition in their own right under the conditions which I have submitted and, secondly providing for such loans through a Central credit union would add to the overhead expense of providing the service to the fishermen at the low rate of interest of 5%. To that extent credit unions would be at a disadvantage in giving as full service as they ought to be able to give in carrying out the purposes of the Federal Government expresses in the Bill.

I mention the fact that on the long coast line of British Columbia, over which some 12,000 fishermen are scattered there are not handling facilities readily available in many areas. The fishermen in these areas can only receive the benefit of this beneficial legislation if these credit unions are available as lending institutions.

I therefore respectfully urge upon the Committee that with the facts concerning the fishermen's credit unions having now been placed before them they recognize the significant contribution at very low cost which the credit unions have made in meeting the very problem which this Bill is directed to assist, by giving to them an equal opportunity with the banks to continue to serve the fishermen of the Maritime Provinces of Canada with respect to their vessels and gear and to be at all times in as favourable a position as the banks would be under the proposed legislation.

Respectfully submitted by

B.C. Credit Union League

R. J. McMASTER

Its authorized agent in that behalf.



SUMMARY OF BRIEF

PRESENTED BY B. C. CENTRAL CREDIT UNION

96 EAST BROADWAY, VANCOUVER 10, B.C.

TO

ROYAL COMMISSION ON BANKING AND FINANCE

Purpose
of Brief

1. The purpose of this brief is to present a full picture of the nature, practices and operations of B. C. Central Credit Union, so that the Commission may appreciate the key position which Central plays in the Credit Union Movement in this Province and the importance of its continued sound development to the soundness, stability and liquidity of credit unions in British Columbia.

2. It seeks to demonstrate that through a combination of legislative regulation by the Parliament of Canada and voluntary co-operation of the credit unions, present controls on Central are adequate to assure the influence of monetary policy being effective on their operations.

3. Submissions and recommendations with respect to economic, legal and legislative matters will be dealt with by Canadian Co-operative Credit Society, of which Central is a member, either in a separate national brief or as part of the brief of the National Association of Canadian Credit Unions.

Organization

4. Central has as members 320 out of the 326 credit unions presently incorporated in British Columbia. It was created under Provincial legislation as the instrument of the credit unions for the pooling of surplus funds (usually seasonal) and as a depository for their liquidity reserves. The primary object is to enable the credit unions,



1
2 through pooling, to make maximum use of the savings
3 of the ordinary citizens who comprise their member-
4 ship, in provident and productive ways in their local
5 communities.

6 5. Central was incorporated in 1944. From
7 small beginnings it has grown to an organization
8 having total assets at December 31st, 1961 of approx-
imately \$14,000,000.00.

9 Legislation
10 and Regulation

11 6. In 1955 Central became a member of the
12 Canadian Co-operative Credit Society and eligible to
13 register with the Treasury Board under the Canadian
14 Co-operative Credit Societies Act. It thereby sub-
15 mitted itself to more rigorous regulation and super-
16 vision by the Canadian Department of Insurance.
Since incorporation its operations have been carried
on in accordance with the provisions of that Act,
although it is also still subject to certain provi-
sions of the Provincial Act.

17 Growth

18 7. As credit unions in the Province have
19 grown in size and number Central has also grown.
20 Statistics relating to its growth are referred to in
schedules to the brief.

21 Democracy and
22 Responsibility

23 8. Central is organized on the same demo-
24 cratic principles as its credit union members. Its
25 annual meetings are representative and educational,
26 not mere formalities. Its elected Board of Directors
27 represents a wide cross-section of ordinary citizens
28 with long experience in the credit union movement.
29 Its staff is competent and includes amongst its key
30 personnel a Manager who has grown with the organiza-
tion and a chartered accountant. There is a sound
but democratic division of responsibility between
staff and directors.

through pooling. To make maximum use of the assets
of the ordinary citizens who comprise the nation
ship, in production and productive ways in which

5. The United States was incorporated in 1789.
The beginning of the growth of an organization
having total assets of December 31, 1961, of
approximately \$10,000,000,000.

6. In 1917, the United States was a member of
the United States Cooperative Credit System and signed
the Charter with the Federal Reserve Board and the
Cooperative Credit System. It is hereby
noted itself to have a system registered and
vision by the United States Government of the
since incorporation the operation has been
on in accordance with the principles of that
although it is still subject to certain
of the law.

7. The credit system in the United States
grows in size and number. It has also
statutes relating to the growth and
subordinate to the trust.

8. The United States is organized on the same
credit principle as the United States
annual meeting and represented by and
not were formed. The credit system of the
represents a wide representation of citizens
with long experience in the credit system.
Its still is complete and includes a
personnel. The United States has grown with the
tion and a financial system. There is a
but democratic character of responsibility
staff and directors.

Democracy and
Responsibility



Deposits

9. Central has a relatively large stable share capital. However, mostly it receives money on deposit from its members (surpluses and liquidity reserves.) These may be withdrawable on demand or be term deposits.

Borrowing

10. Central's borrowing powers are limited by statute to ten times its share capital, guarantee reserves and surplus, and deposits are considered as borrowings. To date substantially all of its borrowing has been from a chartered Bank. Generally this power to borrow is used by Central as one source of liquidity and has never been used to the maximum. It borrows seasonally during each year.

Loans

11. The funds raised by shares, deposits and borrowing are chiefly used to lend to credit unions seasonally on short term to meet their requirements for loans and/or withdrawals. To keep its funds fully employed Central lends to other co-operative organizations which are members, mainly for inventory and generally on short term.

Interest Charges

12. For reasons explained in the brief, Central is sensitive to interest rate changes by the Bank. Basically this results because it must operate on a narrow margin for its services.

Response to Monetary Changes

13. Because it is sensitive to Bank interest rates, and because most credit unions keep liquidity reserves on deposit with it, (thus making Central the chief investor of credit union funds) and because of its dependency on the chartered Banks for borrowing, Central is also sensitive to changes in monetary policy. It is affected by Bank interest rates and lending policies on the one hand and by changes in the market



Deposits

of deposits are a relatively small amount, but they are not negligible. However, the deposits are not as large as they used to be. The deposits are not as large as they used to be. The deposits are not as large as they used to be.

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1
2
3 value and rate of return on short term Government
4 securities on the other when the monetary authority
5 decides to buy or sell. As the holder of most of
6 the liquidity reserves of credit unions, and having
7 regard to the seasonal short term nature of most of
8 its loans, its investments are limited in practice
9 to short term Government, or Government secured,
10 securities. Further under the Canadian Act it must
11 value securities at market (not cost) before payment
12 of dividends. The nature of its investment of its
13 own liquidity reserves is restricted to that type of
14 security by statute.

14. Credit unions are a stable influence
in the economy and their loaning practices are closely
related to levels of employment rather than to pros-
pects of profit.

15 Relationships
with other
16 Institutions 15. Central's relationship to other finan-
cial institutions is limited almost entirely to the
chartered Banks and reliable investment brokers.

17
18 16. By virtue of its arrangements with the
19 Canadian Bankers Association it maintains floats in
20 every chartered Bank and in many branches thereof in
21 the Province. Its relationships with the Banks have
22 been good. The centralization of borrowings and clear-
23 ings through Central has in some aspects proven
24 advantageous to both the Banks and the credit unions.
25 By virtue of the exclusive operation of the Clearing
26 House by the Banks, however, Central feels that the
27 Bank has a superior negotiating position in the matter
28 of charges and services.

26 17. Central has used only reliable invest-
27 ment brokers to acquire securities and recognizes
28 that because of their specialized knowledge these
29 brokers have a service to perform.
30



value and rate of return on funds invested in
activities on the other hand the security of
investments in the future. As the future is
the security of the rate of credit interest, and having
regard to the general state of the economy of the
country, the investments are limited in the
to short term Government, or Government securities.
securities. Further under the Government Act of 1933
value securities of interest (of which) national
of which state. The nature of the investments of the
the liquidity of the securities is that of the
security of state.

14. Credit is one of the main factors in
in the economy and the main factor in the
related to levels of employment and the
state of the economy.

15. Government's responsibility to the public
and the institutions is limited to the extent to which
character of the state and the nature of the
16. The nature of the state and the nature of the
Government of the state and the nature of the
every country is a state and the nature of the
the nature of the state and the nature of the
been good. The nature of the state and the nature of the
state and the nature of the state and the nature of the
by virtue of the state and the nature of the
House by the state and the nature of the
Bank and the nature of the state and the nature of the
to state and the nature of the state and the nature of the

17. The nature of the state and the nature of the
well known to the state and the nature of the
that the state and the nature of the state and the nature of the
progress have a state and the nature of the state and the nature of the

17
18
19
20



1
2
3 "Chequing
Services"

18. Bills of exchange or orders drawn on Central are referred to as primary items. These are necessitated by reason of the wide geographic location of its members. Central can provide certain mechanical services in this respect for itself more economically than if all such items were exclusively handled by the Banks.

19. Such orders drawn on credit unions are known as secondary items and are cleared by arrangements with the Canadian Bankers' Association first through the Clearing House to Central and then to the credit unions. This practice has encouraged greater savings in the credit unions as well as providing a greater convenience and service to members through their credit unions.

20. Mainly such orders are outstanding for a very short period before deposit in the Banks and are rarely negotiated except through a Bank. Those which are negotiated are mostly by a merchant, tradesman or public utility who or which have been paid thereby.

21. Arrangements for clearing such items are discussed in the brief.

21 Liquidity

22. By statute, Central must maintain a 20% liquidity reserve (5% in cash or its equivalent and 15% in limited types of Governmental securities.) It may not make loans when its liquidity reserves are impaired.

25 Reserves

23. The Canadian Act sets a yardstick of delinquency which assures adequate reserves for bad or potentially bad debts. While the amount of bad debts has been negligible, nevertheless Central seeks to build its reserves higher than required by statute



Billings - 2 - Exhibit in exhibit of the
Central and referred to as primary items. These are
represented by reason of the wide representation
tion of the members. Central can provide
mechanical services in this respect for a wide
representation. It is also a very wide
represented by the Bank.

19. Such orders given on credit and are
known as secondary items and are listed by
items with the Central Bank. These items
through the clearing house to Central and then to the
credit union. This credit union has encouraged
as well as the credit union as well as the
greater convenience and service to members in
their credit union.

20. Many such orders are
a very short period before deposit in the Bank. These
are rarely negotiated except through a Bank. These
which are deposited and are not a commercial item
and on credit union who are not a commercial item.

21. The following are the items
and are in the list.

22. The following are the items
including the following in the list of items
23. The following are the items
regarding the following in the list of items

24. The following are the items
the following which are in the list of items
or possibly in the list. While the items in the
debit as seen in the following items in the list
to build the following items in the list of items



1
2
3 to protect against adversity and to assure its
4 ability to pay dividends.

5 Loaning
6 Practices

7 24. Central's loaning practices are
8 designed to assure the maximum use of credit union
9 funds by credit unions. In practice it has not
10 generally lent to the maximum borrowing power of
11 its members, allowing a margin for liquidity in the
12 credit union. It makes two types of loans - term
13 loans, which are usually seasonal and repayable in
14 fixed instalments - and a type of "line of credit"
15 repayable on demand and renewable annually. These
16 depend on the willingness and ability of Central to
17 make advances when requested. Its loans to co-
18 operative associations are usually seasonal and
19 short term - five years being the policy limit.
20 Seasonal loans are payable on demand and short term
21 loans in fixed instalments.

22 25. Some credit unions in quickly develop-
23 ing areas borrow constantly or frequently. Others do
24 not borrow at all. Most borrow to meet seasonal needs.
25 As credit unions are limited to dealing with members
26 only and have few outside obligations, and as most of
27 their funds are by way of share investments Central's
28 security position is exceptionally sound.

29 Encouragement
30 of Sound
31 Practices

32 26. Despite the soundness of its loans, and
33 the fact that Central is a voluntary organization, it
34 has been interested in and able to assist in the
35 encouragement of sound practices amongst its credit
36 union members. By co-operation with the B. C. Credit
37 Union League and the Provincial Inspector, as well as
38 by programs of its own including the advice of its
39 staff and retained financial and legal advisers, it
40 has done much to encourage sound practices and to



meet problems when they arise.

Conclusions

27. Central performs a unique function in the Credit Union Movement in this Province by assuring liquidity and encouraging sound practices.

28. Through regulation and supervision of Central's affairs under the Canadian legislation, credit unions in this Province have proven amenable to sound direction.

29. By virtue of Central's key position in the credit unions of B. C. and its relationships with the Banks, as well as its investment requirements and practices, the credit unions through Central have proven sensitive to change in monetary policy in Canada.

30. Recommendations, if any, by the Commission touching upon credit unions should give cognizance to these factors and recognize the importance of the continued development of sound and democratic Central Credit Unions.

best programs were the ones.

27. General performs a unique function

in the United States Government in this respect by
assisting in the development and encouraging sound practices.

28. Through regulation and supervision

of General's affairs under the Canadian legislation,
credit unions in this Province have proven themselves
to sound direction.

29. By virtue of General's key position

in the credit unions of B. C. and its relationship
with the Bank, as well as its investment position.

30. In practice, the credit unions through their
have proven themselves to be sound in management and policy.

31. In conclusion, it is, by the way,

that the credit unions should give a high
priority to these factors and recognize the importance of the

continued development of sound and democratic financial
institutions.



ROYAL COMMISSION ON BANKING AND FINANCE

BRIEF

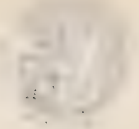
OF B.C. CENTRAL CREDIT UNION

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ROYAL COMMISSION ON BANKING AND FINANCEBRIEFOF B.C. CENTRAL CREDIT UNIONLIST OF SCHEDULES

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B R I E F

PRESENTED BY

B. C. CENTRAL CREDIT UNION

96 EAST BROADWAY, VANCOUVER 10, B. C.

TO

ROYAL COMMISSION ON BANKING

AND FINANCE

Purpose
of Brief

1. The purpose of this brief is to give to the Commission as clear a picture as possible of the nature, practices and operation of B. C. Central Credit Union and its relationship to the credit unions in British Columbia. It has presented a separate brief from the B. C. Credit Union League because it is a separate economic, as well as legal, entity from the credit unions although created by them, and has an unusual role to play in relation to their stability and soundness and their effective operation.

2. The brief filed by the League demonstrates the main characteristics of credit unions in this Province as organizations which contribute to the accumulation of savings by ordinary people of the Province and the prudent and provident use of those collective savings in meeting their members' needs. It also makes clear that the liquidity and soundness of credit unions in this Province are in large measure dependent upon the liquidity and soundness of Central. If in the attainment of the objectives the credit unions in B. C. have significance in the monetary or financial system of Canada it will tend to be reflected in their operations through the Central Credit Union.



Purpose of Brief (cont'd)
and Organization

3. We do not think that any further measures of regulation and control of credit unions are necessary in the public interest beyond the present Provincial controls directed to stability and liquidity and those undertaken by the credit unions themselves through voluntary co-operation. Should the Commission arrive at a different conclusion, however, controls and regulations, in our submission, could most effectively be implemented through the Central provided such regulations and controls recognize the unique nature of credit unions and are designed for their development.

4. In this brief it is intended to present evidence. As to matters of economic theory, opinions, legislation and specific or general recommendations, Central is prepared to leave these matters to the brief to be presented to the Commission by the Canadian Co-operative Credit Society of which Central is a member, either as a separate National brief or in conjunction with the brief of the National Association of Canadian Credit Unions.

Organization

5. Central is a separate legal entity brought into being in 1944 by the credit unions of this Province under Provincial Statute to serve as a place in which are deposited the seasonal surplus funds of credit unions of the Province as well as the funds which they are required to keep liquid. It is a co-operative credit society the members of which are mainly credit unions and some other corporate bodies of a co-operative nature.

6. The pool of funds in Central is used by its members from time to time in accordance with the same principles as the pool of funds of local



Organization, (cont'd)
Legislation and
Regulation

autonomous credit unions, mainly to assist them to meet their seasonal need for funds.

7. Membership in Central is voluntary. In fact, however, 320 out of the 326 active credit unions in the Province now belong to it. It has enjoyed the support of a like proportion of all Provincially incorporated credit unions for many years. Its present non-credit union membership totals 90 consisting of co-operative societies and other corporate associations of a co-operative nature having invested and/or on deposit on December 31st, 1961 \$1,223,000.00.

8. Central is a provincially incorporated autonomous body - based on co-operative democratic principles. In 1953 it assisted in the incorporation of the Canadian Co-operative Credit Society and qualified to register with the Treasury Board under the Canadian "Co-operative Credit Associations Act" R.S.C. 1952/1953 Chapter 28 (copies of the "Credit Unions Act, 1961" B. C. and the "Co-operative Credit Associations Act" are marked as schedules 1 and 2 hereof.)

20
Legislation
21 and
Regulation

9. The Commission will observe that sections 68 to 77 of the Provincial Act specifically govern Central and pursuant to Section 79 of the "Co-operative Credit Associations Act" the powers, privileges and immunities of Sections 6, 8 and 10, and the limitations, liabilities and provisions of parts 2, 3 and 4 of the "Co-operative Credit Societies Act" specifically govern Central. The latter Act purports to give powers to and place limitations upon Central beyond those given and imposed upon credit unions generally under the Provincial Statute. The



Legislation and
Regulation (cont'd)

Canadian statute also renders Central subject to inspection and supervision by the Superintendent of Insurance of Canada. The result of his last inspection is reflected in the correspondence marked Schedule 3 hereto.

10. A brief analysis of the effect of the Canadian Act upon Central may be helpful to the Commission. This is set out in Schedule 4 hereto. It may be sufficient in the body of this brief to point out that Central is limited to dealing with members only; its borrowing power is limited (deposits are treated as borrowings); the building of adequate reserve for bad debts is required; a stringent yardstick of delinquency is applied before calculation of surplus; and its liquidity reserves are carefully regulated under Federal legislation and supervision. The operations of Central and through it to a considerable extent the credit unions in this Province, are thus to a large extent regulated and controlled by the Federal Government based on a happy combination of Government requirements and supervision and voluntary co-operation, (as well as by Provincial statutory requirements.)

11. In addition, as indicated above, Central is subject to the careful supervision of the Superintendent of Insurance for Canada, whose staff periodically inspect its operations and with whom extensive annual reports must be filed. Schedule 5 is a copy of the type of annual report required of it. Like the Banks an auditor may be engaged for not more than two years in succession, and the auditor is required by Section 54 subsections (3) and (4) to supply the Superintendent with information in excess



Growth,
Democracy and
Responsibility

of the ordinary certificate of the auditor customarily given.

12. In these and other respects credit unions in this Province through voluntary association in their Central organization are presently subject to fairly conservative regulation and control by the Parliament of Canada. (A comparison of this regulation and control with some financial institutions regulated by Parliament is set out in Schedule 6 annexed.)

Growth

13. Central's pool of funds consists of share capital, deposits by members and reserves. Schedule 7 sets forth statistically the growth of Central since 1950.

14. As the credit unions in the Province have substantially increased their assets since they first developed in British Columbia, Central has continued to grow. Annexed as Schedule 8 hereto is the most recent audited statement of Central, being the statement as at December 31st, 1961 from which the proportion of shares, deposits and borrowings may be observed as well as the current liquidity position.

Democracy and
Responsibility

15. As stated Central itself, being organized on the same principles as credit unions, is a co-operative democratic organization. Annexed as Schedule 9 is a copy of its rules which show the structure of its democracy. Its Board of Directors is elected at an annual convention with a system of rotation of term of office to give continuity. Annexed as Schedule 10 is a statement showing the personnel of the present Board of Directors and relevant information about them as well as the key personnel of the staff.



Deposits,
Democracy and
Responsibility (cont'd)

16. Until recently Central has had an elected Credit Committee and Supervisory Committee. Taking advantage of the new provisions in the Credit Unions Act 1961 it now has delegated certain credit granting authorities to its Manager (see Schedule 11 annexed) and made the Credit Committee responsible to the Board of Directors. Having an adequate audit service through qualified auditors appointed by its general meeting it has dispensed with its Supervisory Committee. Central has an Administrative Committee of the Board which deals with day to day problems and the Board meets regularly (at least once a month except in summer) to consider reports and fix policy.

17. The division of authority between Directors and staff is described in a statement by the auditor as he has observed it. (See Schedule 12.)

18. At its annual meetings in addition to consideration of annual reports Central always makes provision for time to be spent by the delegates either by instruction by some qualified outsider or in discussion groups upon matters of general concern to the Credit Union Movement or particular policies or practices of Central upon which the Directors desire to know the delegates' thinking or which require explicit exploration.

19. Central freely uses the services and advice of qualified auditors, a financial advisor who is a chartered accountant, legal counsel, and investment brokers as required.

Deposits 20. Liquidity reserve funds (other than till money) of nearly all credit unions are deposited with Central and in addition in differing seasonal periods when the demands on credit unions of different types



Deposits, Borrowing and Loans

are low, the resulting surpluses are rarely invested, rather they are left on deposit with Central.

21. Central operates two types of deposit accounts with different interest rates. One type is withdrawable on demand on which the rate is fixed. The other type are term deposits and carrying various rates according to their terms. Since term deposits were made more flexible in 1961 the amount on term deposit has tended to markedly increase. (See Schedule 7 supra as to this increase and Schedule 13, a copy of the term deposit contract.)

Borrowing

22. Central, in peak periods of demand, borrows money from the Bank. The amount which it may borrow is limited by statute (Canadian) and by the prevailing loaning policies of the Bank. In practice it does not borrow more than is required to keep its pool of funds reasonably employed (See Schedule 14 annexed which shows on month end figures 1956 to 1961 inclusive the periods when Central's funds available for lending exceeded or were insufficient to meet loans made.)

Loans

23. Out of the fund created from these sources Central makes short term loans mostly to credit unions as their seasonal demand for funds for loaning or to meet withdrawals arises.

24. Many of these loans are for specific short terms repayable in regular instalments or on or before a specific date.

25. Some in recent years have been set up on a line of credit basis for one year repayable on demand with the power in Central to vary the interest rate and to withhold any advance or make demand at any time.

26. Annexed as Schedule 15 is a summary of



10

and that the proposed changes are necessary for the
reason they are left on deposit with the bank.
21. General and other types of deposits
are made with different interest rates. One type
will be made in advance of the time it is
the other type are made deposits and deposits
as according to the bank's policy. Some of the
were made more than a year ago and some of the
deposits had been made in advance of the time
General deposits as to the interest and deposits
copy of the bank deposit for the year.

22. General deposits in bank for the year
borrow money from the bank. The amount which is
borrowed is limited by the bank's policy and by the
bank's policy for the year. The bank's policy
does not borrow money from the bank for the year
of funds reasonably and the bank's policy for the
which shows the amount of the bank's policy for the
exceeded or was insufficient to cover the year.

23. The bank's policy for the year
exceeded or was insufficient to cover the year
exceeded or was insufficient to cover the year
exceeded or was insufficient to cover the year

24. The bank's policy for the year
exceeded or was insufficient to cover the year
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25. The bank's policy for the year
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exceeded or was insufficient to cover the year

26. The bank's policy for the year
exceeded or was insufficient to cover the year
exceeded or was insufficient to cover the year
exceeded or was insufficient to cover the year



Loans and
Interest Charges

loans at recent year-ends showing currency of out-standing loans.

Interest
Charges

27. Central's rates of interest are more sensitive to changes in the Bank rate and the market rate on short term Government securities than are the rates of its member credit unions. There are several reasons for this which might be mentioned:

(a) Deposit of liquidity reserves in Central is voluntary. Consequently at any time its member credit unions may elect to invest surplus funds or liquidity reserves in Treasury notes or Government bonds (secured or guaranteed) or alternatively to deposit them in the Bank;

(b) Credit Unions for the same reason are free to borrow from the Bank and may do so if Central's prime loaning rate is too far out of line with the available rates at the Bank;

(c) Central because of its required liquidity reserves (by statute) and its responsibility to maintain the liquid position of credit unions in the Province, (by virtue of its right to be a depository for their liquidity reserves,) is bound to keep its loans and investments on a short term basis. Although it is a non-profit organization, (see legal foundation Survey Report Legal Section Page 76 - filed as Schedule 3 to the brief of B. C. Credit Union League), it must meet its operating expenses and pay reasonably current rates on its deposit moneys and dividends on its share capital. These it must therefore obtain from a narrow margin between current bank borrowing rates and its own lending rates and between current interest rates on short term



Interest Charges (cont'd)

investments and the rates it pays for members' money (See Schedule 16 annexed.)

(d) Operating costs of local autonomous credit unions have risen sharply in the last five to ten years. There is one stage through which a credit union passes from entirely voluntary labour to the employment of a staff which makes a tremendous cost increase. Some credit unions' employees have been organized by trade unions, which has put their wage factor higher than that paid by many commercial financial organizations which because of their national scope of operations are not readily subject to unionization. The type of technological change which permits a national organization with local branches to employ modern electronic equipment, are not available even to the largest credit unions. The competition of Canada Savings bonds and Provincially guaranteed parity bonds which are readily realizable securities has to some extent limited the amount of savings available for investment or deposit with local credit unions. (However these bond issues do not attract too much of the ordinary savings of working folk whose maximum savings are limited by their budgetary needs for daily living.) The rates payable by other depositories for ordinary and term deposits have made credit unions more conscious of the reasonableness of its interest rates on deposits and dividends on shares. However credit unions are limited by statute to a dividend of 6% on shares. On the other hand the maximum rate chargeable by credit unions on loans is one per cent per month, also fixed by statute. Further



Interest Charges (cont'd)
and Response to
Monetary Changes

by statute a credit union loan is repayable at any time without notice or bonus, and no service charges are allowed. As commercial financial institutions have begun to provide personal loans or instalment credit at more reasonable rates than in the past existed, and as credit unions have developed funds beyond the urgent need of their members for small personal loans, they have begun to serve the longer term needs of their members which command lesser rates of interest.

28. These factors and others have kept the participating members of Central sensitive to the cost factor in using Central's services. In turn they have caused Central to be sensitive to rate changes both charged by the Bank and payable on short term securities. (See Schedule 16 above.)

Response to
Monetary
Changes

29. Consequently changes in the monetary policy of Canada, effected through Bank rates and rates on Government securities, tend to effect Central's operations and through it the operations of its member credit unions.

30. The availability of funds during "tight money" periods has reflected itself on the credit unions' operations through Central. As the figures given in Schedule 14 of the brief filed by the B. C. Credit Union League show, Central is the main depository of funds by the credit unions in British Columbia and as that brief states is the sole source of borrowing for nearly all credit unions. While in the Provincial Credit Unions Act they have been given the power to raise money by debenture, this power has never been used by them and they have restricted the



Response to Monetary
Changes (cont'd)

sources of their funds, to members' savings through shares and deposits, to borrowings from Central, and in a few cases to borrowings from chartered banks.

31. The statutory and other reserves of Central plus its liquidity reserves are either kept on deposit with the Banks or are invested in the limited type of Governmental and Government secured instruments permitted for investment by the Co-operative Credit Associations Act. Schedule 17 shows a summary of the types and maturities of Central's portfolio of investments at a recent date. Small sums only are deposited from time to time in Canadian Co-operative Credit Society. Central would deposit more in that Society were Canadian Co-operative Credit Society's powers to really function as a National Credit Union more adequate. Central has \$10,000.00 invested in shares of Canadian Co-operative Credit Society and for a period of a few months in 1956 had \$25,000.00 on deposit with that Society. It has not since had any money deposited with Canadian Co-operative Credit Society.

32. With the exception of some borrowing from Canadian Co-operative Credit Society, Central itself has not borrowed other than from the chartered Banks. Consequently credit unions in this Province have been sensitive to tight money policies when they have been applied by the chartered Banks to Central. The chart and supporting figures referred to in Schedule 14 above demonstrate this fact. This is further evidenced by the advice given to the credit unions by Central when the chartered Banks in 1959 restricted Central's borrowing. See Schedule 18 annexed. The result of this advice in credit union borrowing from Central showed up within one month.



Response to Monetary
Changes (cont'd)

While the downward curve of Bank borrowings and Central's loans shown in Schedule 14 supra does not differ from some other years, in fact the pressure on credit unions for loans persisted. The chart in Schedule 14 shows that between September and December, 1959, loans to members dropped sharply. At the same time deposits increased during this period according to a normal pattern. (See same period other years.)

33. It should be appreciated that the ability of Central to borrow from the Bank is by virtue of Section 47 of the Canadian Act restricted, because under that section deposit money is treated as borrowed money. Tight money policies therefore further affect Central in the amount of money which it may borrow, due to its dependency on the Bank and the fact that it cannot economically afford to borrow money at high rates on any sustained basis from the open market when money is tight for reasons stated above. Furthermore to raise money by the liquidation of investments is not an advisable or economical course.

34. Because most credit unions do not engage in the purchase of Government securities and are not permitted by Provincial statute to invest in commercial securities, and because they do not engage in the purchase or sale of loans or mortgages, they principally must look to Central to maintain their liquidity. Unlike some commercial financial institutions at times when tight money policies are in effect they have no other ultimate source of funds available except from the Banks (through Central).



Response to Monetary
Changes (cont'd)

Consequently they are sensitive to and quickly affected by changes in monetary policy effected or sought to be effected through the banking institutions and the bond market.

35. One alternative source of funds has been available to Central and used by it to a small extent (i.e.) its power to borrow from the Canadian Co-operative Credit Society of which it is a member. Such loans have been fully secured by bonds. (It is expected that Society will present a brief to the Commission later so that a detailed description of it here is not called for.) Reference to the structure of that Society and Section 46 of the Act, however, will indicate how negligible Canadian Co-operative Credit Society's power has been to date as a source of borrowing for a Provincial Central. That Society was envisaged as an extension of the credit union principle to the pooling of seasonal provincial surpluses on a national basis. It operates co-operatively. However, it is not capable of being fully utilized because of the restrictions in its enabling legislation and is therefore of little value to Central as a source of borrowings.

36. Schedule 19 shows the borrowings by Central from that Society since it came into being. Schedule 20 is the last audited statement of Canadian Co-operative Credit Society and indicates its limitations as an alternate source of funds as presently constituted.

37. A compensating factor which must be taken into account is that B. C. Central Credit Union is built upon a social philosophy quite different from



Response to Monetary
Changes (cont'd) and
Relationships with
other Institutions

any commercial financial institution. This philosophy it shares with its members. They are all motivated not by the desire to make profit but by the desire through their co-operative effort to help their members help themselves in a provident and productive way in their respective local communities. This common objective and method of doing business cements the loyalty of a very great many members of credit unions to the use of the services of the credit unions, and of the credit unions to the use of Central. Within reasonable limits this sociological fact offsets to some extent the automatic operation of theoretical economic laws.

38. Whereas credit unions in this Province are sensitive to restrictive monetary policies, they are not as sensitive to expansive monetary policies. They are mainly associations of primary producers and working men and tend to be conservative about expansion of loans until signs of economic recovery reflect themselves in actual employment. It might be a fair conclusion that credit unions are a stable influence in the economy and that their loaning practices are closely related to levels of employment rather than the prospects of profit.

Relationships
with other
Institutions

39. At this point it might be convenient and logical to discuss the relationship of Central to the Bank and other recognized bodies dealing with credit and investments.

40. As to the chartered Banks Central has had good relations, its only reservations being the matter of Clearing House privileges hereinafter referred to. In some respects Central has sensed that the Banks realize that there is an advantage to the Banks in



Relationships with
other Institutions (cont'd)

dealing with one organization rather than 320 individual credit unions both as to borrowing (where its risk is spread) and as to clearing bills of exchange where Central performs a large share of the physical problems of clearing.

41. Central has felt that the Bank is more than adequately secured, by a continuing assignment of its accounts receivable although its lines of credit authorized from time to time are well below Central's borrowing powers and further the Bank's position was secure at all times. See Schedule 21 annexed which shows inter alia a comparison of statutory borrowing powers with actual borrowings at each quarter's end from March, 1955 to December 31, 1961, which schedule is further referred to under the subject of liquidity. Central has often been out of debt with the Bank but the Bank has been reluctant to release the charge on the accounts receivable.

42. Central deals with one bank as to its borrowing. However, it operates accounts in all chartered Banks and many branches thereof in order to comply with the requirements of arrangements with the Canadian Bankers' Association as to clearing orders. Details of these arrangements are referred to below.

43. The Banks in this policy are no doubt aware of the desire of the Investment Brokers to encourage Central to borrow money on the open market, where often more attractive rates are available. We assume the Banks' position is that they are reluctant to provide a line of credit as a hedge to the availability of funds at reasonable rates on the open market. We can appreciate this view but consider the Banks in the light of it should be prepared to give Central minimum terms in compensation for Central's continued



Relationships with
other Institutions (cont'd)

use of their services. See Schedule 16 supra which shows inter alia the relative cost of Bank money and open market money at various periods. (See also discussion of the relative cost of bank funds in Consumer Instalment Credit, Part II Volume 1 published by National Bureau of Economic Research in 1957, U. S. Government Printing Office, Washington. The study in that report of the financing of sales finance companies through Banks vis-a-vis the market are most informative and illustrate the hesitation of the Bank to hedge borrowings elsewhere. See pages 341 ff. The conclusions at p. 352, and at pages 404 to 408 are also elucidating in any comparison of credit unions with the operations of sale finance companies and their respective sensitivity to changes in monetary policies. The study it is realized is related to the American banking system but we believe in part at least will be relevant to the facts in Canada.) Extracts are annexed as Schedule 22.

44. Any consideration which Central has given or is likely to give to open market borrowing has been or would be through recognized Brokers. Central recognizes brokers of reputable firms which it uses in acquiring investments are knowledgeable in these matters and their services are worth paying for. To date, however, it has stayed with Bank borrowing.

45. Central deals directly with C. U. & C. Health Services Society and Co-operative Life Insurance Company and Co-operative Fire and Casualty Company. As these organizations are now members of Central it naturally does not use a brokerage firm in dealing with them. It feels justified in obtaining funds in this way because in large measure credit union people have been responsible for the creation and



Relationships with
other Institutions (cont'd)
and Chequing Services

success of these insurance bodies and their investment funds in large measure represent part of the savings of the same ordinary folk of this Province or of Canada whose needs the credit unions are designed to serve.

46. It is unlikely that other insurance companies would be particularly desirous of dealing with a co-operative credit society, except through the usual investment channels, if for no other reason than because of their lack of knowledge of its soundness and liquidity and perhaps some antipathy to the non-profit co-operative principles upon which it is organized.

47. Save as aforesaid, Central has no relationship with other financial institutions.

Chequing
Services

48. The other relationship which Central has with the Bank, aside from a depository for surplus funds, is in connection with its so-called "chequing" services. This service consists of two types of items, primary (that is orders drawn by the credit unions which deposit funds with Central) and secondary (that is items drawn by members of credit unions on their credit unions but which by arrangement between Central and the Canadian Bankers Association are cleared through the Clearing House in Central's name and through Central to the individual credit unions.) As pointed out in the brief of B. C. Credit Union League the title "cheques" is a misnomer. These are bills of exchange and require to be accepted. Annexed hereto as Schedule 23 is a short summary of known information with respect to the development and extent of these services. Also annexed as Schedule 24 hereto is a short explanatory statement of the history of the



Chequing
Services (cont'd)

development of relations with the Clearing House and Canadian Bankers Association, the changes which took place in January, 1959 as a result of negotiations of certain centrals and co-operative credit societies with Canadian Bankers Association, rates of charges, and the manner in which the system works.

49. It will be observed from the last mentioned schedule that whereas Central is required to maintain certain floats with the Bank and pay charges for cash and the items of credit unions and Central to the Bank there is no reciprocal compensation to Central for Bank items or Government cheques handled by Central drawn on the Banks or the Treasury. Schedule 23 supra indicates in part the extent to which Central and credit unions through Central handle such items.

50. Central feels that in the present Clearing House arrangements the Banks have a tremendous advantage in their bargaining position with the absolute control of the Clearing House. However it expects that the brief submitted by Canadian Co-operative Credit Societies will discuss this matter more fully and may make recommendations for improvements. As Central will have a part in expressing opinions and recommendations in that brief, it reserves any further comment at this time.

51. Schedule 23 above shows the increasing importance of this service to the credit unions of this Province and in the operations of Central. For reasons expressed in the brief of B. C. Credit Union League, Central considers this is a good service for credit unions to encourage savings and the convenient use of the credit union by their members and expects continued growth. The primary service is essential to Central



Chequing Ser-
vices (cont'd)
and Liquidity

itself due to the scattered geographic location of its member credit unions. One half of the credit unions are situated in Vancouver and Lower Fraser Valley. The remainder are scattered over the Province from the International Boundary to Fort Nelson on the Alaska Highway, and from the Queen Charlotte and Vancouver Islands to the Alberta border.

52. Figures with respect to the period of time such items are outstanding and the number of times, if any, they act as a media of exchange are difficult to compile, as once cleared to the credit union they are sorted into the members' accounts. However in case this matter should prove relevant to the Commission's consideration in Schedule 25 Central has set forth a sampling for approximately one month based on all items cleared through Vancouver City Savings Credit Union, one of the largest credit unions providing this service. This sampling fairly represents the experience of other credit unions in Central's experience. Central can also assure the Commission that with respect to primary items, that is Bills of Exchange drawn on Central, the period of time within which items are presented for payment is much shorter (depending on whether they are cleared in a local bank or require to come forward to the central Clearing House) and that such items with rare, if any, exceptions are not negotiated (except through the Bank) before presentment.

Liquidity

53. Central is required to maintain 5% reserve in a chartered Bank and 15% in certain very limited investments issued or secured by the guarantee of governments. (See sections of the Co-operative Credit Associations Act.) It does have the authority under that Act to keep cash on deposit with Canadian



Liquidity (cont'd)

Co-operative Credit Society. However, that Society not having developed to perform fully as a credit society for all centrals on a national basis, because of certain statutory limitations and other factors, Central has in fact as previously stated since its incorporation deposited cash only rarely with it. Consequently the cash requirement on Central has almost entirely represented cash in the till and on deposit with chartered Banks. It will be appreciated in any event that pursuant to its arrangement with the Canadian Bankers Association for Clearing House privileges Central is required to maintain substantial floats on deposit with the chartered Banks.

54. Schedule 17 supra is representative of the kind of securities and maturities thereof which Central holds from time to time. When it has surplus cash it normally invests only in short term securities as due to the seasonal nature of its deposits and demands for loans, it requires to maintain such surpluses near liquidity.

55. It should be observed that the Canadian Act requires Central to write off expenditures each year which otherwise might be amortized, and also requires that securities be valued at market value. Central consequently is sensitive to changes in the value of Government Securities and any dealings therein by the Bank of Canada or the chartered Banks in effecting changes in the monetary policy of Canada.

56. The importance of Central to the liquidity of credit unions in British Columbia is carefully examined in the Survey Report filed as Schedule 3 to the brief of B. C. Credit Union League. (Financial Section p. 67 to 75)(and see Schedule 21 supra). In



Liquidity (cont'd)

the report of the Committee it stated (page 25):

"The Committee made a comparison of certain factors of liquidity as between B. C. Central and all loan companies regulated by the Dominion Insurance Department, all trust companies regulated by that Department and all Canadian chartered Banks as at December 31, 1958. The comparison was favourable to B. C. Central Credit Union. From its examination of the affairs of B. C. Central Credit Union, the committee is of the opinion that its affairs are well run and its present position shows the results of the exercise of sound judgment in the direction and management of its operations."

57. Unless liquidity reserves are maintained Central is prohibited by the Canadian Act to make loans.

58. Relevant to the adequacy of the liquidity of Central is an appreciation of the wide variety of the types of economic activity and communities within which credit unions are organized in British Columbia. (Details of the common bond of credit unions are set out in Schedule 2 of the brief of the B. C. Credit Union League filed with the Commission). Roughly these break down into fishing, farming, lumbering, mining, industrial, service, rural and urban sections of the economy. Persons employed in these divergent segments of the economy tend to have seasonal peaks of demand for funds and these tend in the course of the year to be in large measure complementary. These differing peaks are illustrated in Schedule 14 supra. Central thus has the effect of spreading liquidity over a much broader base than would be possible for a local autonomous



10. The Commission

in the report of the Commission is stated that the Commission has been established by the Government of the United Kingdom and the Government of the United States of America. The Commission is to be composed of a number of members, not more than six, to be appointed by the Government of the United Kingdom and the Government of the United States of America. The Commission is to be empowered to investigate the causes of the war and to make recommendations for the prevention of such wars in the future. The Commission is to be empowered to make such inquiries as it may think fit, and to report to the Government of the United Kingdom and the Government of the United States of America. The Commission is to be empowered to make such recommendations as it may think fit, and to report to the Government of the United Kingdom and the Government of the United States of America. The Commission is to be empowered to make such inquiries as it may think fit, and to report to the Government of the United Kingdom and the Government of the United States of America. The Commission is to be empowered to make such recommendations as it may think fit, and to report to the Government of the United Kingdom and the Government of the United States of America.

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Loaning Practices and
Guarantee Reserves
for Bad Debts

credit union. The local conditions and different peaks in the demand for funds are levelled out by pooling through Central.

Guarantee
Reserves for
Bad Debts

59. The Co-operative Credit Associations Act, as pointed out above, applies a strict yardstick and rules as to provision for delinquency and requires reasonable reserves to provide for bad debts or accounts which might become so. These reserves must of course be set up before the payment of dividends. Schedule 26 annexed sets out the history of losses from bad debts of Central since its incorporation. With the present measuring rod of delinquency in the Canadian Act the Commission may be assured that all bad or potentially bad debts have therefore been provided for in reserve or written off.

60. As a precaution, Central in fact has sought to increase its reserves over the years beyond the statutory requirements by placing some part of surplus each year in reserve, depending in amount, upon total earnings. It also maintains a reserve against losses in the market value of securities in the event of drastic changes which could under the Act affect its ability to pay dividends.

Loaning
Practices

61. Central's primary object in this Province is to act as a pool of funds for Credit Unions. As indicated above it does have as members some co-operatives and other societies of a co-operative nature. However, its policy has been first to meet the needs of the credit unions and then to employ surpluses, usually seasonal, by loans to associations of a co-operative nature. These latter at times of the year represent only a small portion of the assets of Central as shown by Schedule 27 annexed.



Loaning Practices (cont'd)

62. Loans to co-operative societies are often demand loans, or for terms not exceeding 5 years. They are usually for the financing of inventory. Of the loans to co-operatives the largest is to Prince Rupert Fishermen's Co-operative Association and this loan influences the figures in Schedule 27 supra, considerably. There have been several reasons for this. In the first place the demand peak of that co-operative is seasonal and satisfactorily corresponds with the seasonal surpluses of Central. The unusual nature of the relationship between the Co-operative and Prince Rupert Fishermen's Credit Union is referred to in Paragraph 67 page 15 of the brief of B. C. Credit Union League and the social function which they are performing in the fishing industry commends itself to Central. There is no need to repeat the story here.

63. Under the former B. C. Credit Unions Act (R.S.B.C. 1960 Ch. 84) credit unions could borrow 25% of their assets. As the amount borrowed could be counted as an asset this could be pyramided to approximately 33%. Since the 1961 Credit Union Act was passed, the amount borrowed is excluded from the assets against which credit unions may borrow. Now they are restricted to 25% of shares, deposits and surplus or with the approval of an annual meeting may borrow up to 33% without the approval of the Inspector or up to 50% with his approval.

64. Central's policy under the old Act was, except in exceptional circumstances, to keep credit union borrowing close to 15% to 20% of assets (including borrowed money) thus leaving a margin of liquidity should the credit union require it. Policies under the new Act are just being formulated and therefore cannot be expressed at this time.



Loaning Practices (cont'd)

65. Loaning practices during tight money periods have been discussed above.

66. Central offers to the credit unions two types of loaning facilities or combinations thereof secured by assignment of book accounts. One type is the specific loan secured only by promissory note with fixed terms of repayment, the other type is in nature closer to a line of credit. The latter is dependent upon Central having funds to lend, and is repayable on demand. Loans to credit unions are generally for a limited period of one year and if on a line of credit basis must be applied for yearly. The latter type of loan is a fairly recent development. The two types of loan contract are annexed hereto as Schedule 28.

67. Although Central offers a "line of credit" type of loan to credit unions, as observed above, the right to borrow against it is dependent upon Central having funds available to loan and being prepared to loan them when requested. Central follows the same practice, generally true in all credit unions in this Province, of paying out loans in cash or by bill of exchange or cheque and immediately thereupon debiting its funds available for loan.

68. It may be useful to the Commission to consider the borrowing practices of credit unions from Central in greater detail, to appreciate the distribution amongst credit unions and its extent. Schedule 29 hereto gives the figures for the year 1960.

69. A small number of credit unions are constantly in debt to Central. Some borrow rarely if at all. Generally it is found that those which borrow constantly are situated in expanding communities where the total pool of funds in the local credit union, representing the people's savings, are unable to keep



Loaning Practices
(cont'd) and
Encouragement of
Sound Practices

up with their needs. Most credit unions, however, show in their borrowing pattern from Central a seasonal peak.

70. It may be interesting to the Commission to point out that Credit Unions, being limited to dealing with their members, have very few obligations except to their members. Central being usually secured in advance of shareholders and often by an assignment of book accounts, if not by actual equities, assumes very little risk on these loans and in fact its losses on credit union loans have been almost nil. (As noted in the League's brief most savings in credit unions are through shares.)

Encouragement
of Sound
Practices

71. Notwithstanding its secure position Central has always taken an active interest in the encouragement of sound practices and operations by its member credit unions. While it has no formal control over these, it has both the incentive itself to encourage them so as to avoid the embarrassment of calling loans and also the persuasive position which any large creditor has over a debtor particularly, if it is the main source of borrowing.

72. In the main, Central has looked to the B. C. Credit Union League, to which it makes financial contributions, to carry on an effective educational program amongst treasurers and officers of credit unions encouraging sound practices. However, when a credit union is in difficulty it is often to Central to which it turns. Central's manager and staff (which includes a chartered accountant) has never refused to give to a credit union the best advice they are able to give in these matters, drawn both from Central's own



Encouragement of
Sound Practices (cont'd)

experience and special knowledge, but also from the experience of other credit unions. Central retains both a financial advisor and legal counsel, the advice of both of whom has usually been sought by it in such circumstances.

73. In recent years, however, Central has taken more active steps to assist and encourage credit unions to employ sound practices. The nature and extent of these are outlined in Schedule 30 annexed hereto.

74. After the 1961 Credit Union Act was passed Central instituted a policy of requesting certain important financial information from its members and has subsequently required those which borrow from it to provide information regularly. Schedule 31 contains copies of the forms required to be completed. This information is being required of its members by Central not only to guide it in its loan policies and practices under the new Act, but also to give to it an earlier alarm where trouble spots may occur and to bring home to as many of its members as possible the need for sound practices.

75. Being a voluntary co-operative association, and any member being free to make its arrangements directly with a chartered Bank at any time, Central has no absolute control over the practices and operations of its members. In fact, however, from a practical point of view it is in a position to keep itself well informed on its members' activities and to give guidance and advice where and when they are needed.



Encouragement of
Sound Practices (cont'd)
and Conclusions

76. B. C. Central is subject to inspection by the Provincial Inspector of Credit Unions as well as by the Superintendent of Insurance. In addition, it gives the Provincial Inspector its full co-operation when difficulties arise in credit unions in the Province.

77. It initiated in co-operation with the League the correspondence course for treasurers and other officers of credit unions presently being prepared.

Conclusions

78. B. C. Central Credit Union is the instrument of the autonomous credit unions of British Columbia created and functioning on a democratic basis. It is a credit union of credit unions, functioning as a place in which to pool their funds for temporary investment and borrowing for the productive and provident needs of their respective local communities.

79. As the depository for the cash balances and the liquidity reserves of most credit unions in the Province and their sole source of borrowing it is the real link between the credit unions and the chartered Banks and investment brokers. In this capacity it has proven to be a sound source of liquidity to the credit unions. Its relationships to the chartered Banks have been friendly and responsive to changes in monetary policy. In many respects Central has served as an intermediary between the Banks and the credit unions to the advantage of both. It also has had the effect of directing the investments of credit unions, channelling them into sound short term securities and making them, through Central, responsive to monetary policy insofar as the same is regulated by open market transactions by



Conclusions (cont'd)

the monetary authority. Its relation to and dependence upon qualified investment brokers in dealing with securities has been demonstrated.

80. Central itself, subject to controls by Canadian statute, is required to maintain sound reserves both for bad debts and to assure liquidity. It is subject to the careful supervision and inspection of the Canadian Insurance Department.

81. As stated by the Survey Committee, whose report is hereinabove referred to, it has been a strong contributing factor to the financial soundness and to sound practices of the credit unions in British Columbia "and it is important that that organization should continue to add stability to the credit unions of the Province".

82. We respectfully submit that this Commission should concur in this finding and we trust that the recommendations, if any, of the Commission touching upon credit unions, will give proper recognition to the role which Central plays and to its continued development.

the mandatory authority. The Commission is not bound

with a limited but not a limited one.

But, in the event of a conflict of interest,

the Commission is not bound to follow the wishes of the Government. It is suggested that the Commission should be empowered to

the Commission is not bound to follow the wishes of the Government.

It is suggested that the Commission should be empowered to

report is hereinafter referred to and it has been a

strong consideration factor in the Commission's report

and to stand as a basis of the Commission's report.

British Columbia and it is proposed that the Commission

should continue to add stability to the Commission

actions of the Commission.

But, We respectfully submit that the

Commission should not be bound to follow the wishes of the

that the Commission is not bound to follow the wishes of the

concerning upon certain points, which will give the Commission

tion to the Commission's report and to the



Nethercut & Young

Toronto, Ontario

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SCHEDULE 3 - page 1

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 3

TO BRIEF OF B.C. CENTRAL CREDIT UNION

LETTER RE LAST INSPECTION OF CENTRAL
BY DEPARTMENT OF INSURANCE

Insignia of Canada

DEPARTMENT OF INSURANCE

OTTAWA, CANADA

September 14, 1961.

Mr. J. R. Robinson, Manager,
B. C. Central Credit Union,
Broadway at Quebec,
Vancouver 10, B.C.

Dear Mr. Robinson:

Re. Annual Statement for 1960

Our Examiner's report on the above statement indicates that only a very few minor changes were found desirable, the main ones being as follows:

(1) Provision for Building Maintenance

In the liabilities on page 5 the Society showed accounts payable of \$17,500.61 but this apparently included \$4,335.41 which was really a provision or reserve for building maintenance in the future. In the circumstances, Mr. Boyce thought it desirable to reduce accounts payable by the latter sum and to show it separately under item 10(c).

(2) Income and Real Estate

Schedule E on page 15 showed net income of only \$4,335.41 after deducting taxes, repairs, etc., of \$74,161.26 from the gross income. Mr. Boyce altered the taxes, etc., to \$53,803.97 and the net income was increased to \$24,692.70, which agrees with item 6 on page 6.

(3) Recovery of Bad Debts Written Off

A small recovery of \$15.00 was credited directly by the Society to the Guarantee Fund but Mr. Boyce considered that it should have been entered, at least initially, opposite item 9 of the Profit and Loss Account on page 8, where provision is made for recoveries on assets previously written off. This had the effect of increasing surplus at the end of the year by \$15.00 and reducing the Guarantee Fund by \$15.00, with corresponding changes on pages 8 and 9. It may be that you would still prefer to see the Guarantee Fund increased by this small amount and, if so, I shall be glad to send the



SCHEDULE 3

statement to Mr. Boyce for adjustment. I think that this recovery should be reflected initially opposite item 9 on page 8 but I see nothing to prevent item 16 being then increased by \$15.00.

I am glad to see the progress that has been made toward bringing the auditor's statement more closely into line with the annual statement filed with the Department since continuing differences may well raise questions, doubts, and perhaps confusion in the minds of members. In this connection, I understand that the auditor's statement for 1961 will likely make provision for loans in default, as now made in item 1(1) of the assets on page 4 of the annual statement filed with the Department. Since the auditor is required to furnish a report both to members and to this Department, it does seem to me that maximum uniformity is most desirable.

With respect to insurance of securities owned by the Society, I understand that most securities are in bearer form, although there may be some misunderstanding about this situation on the part of the insurance company. In the short discussion that Mr. Boyce had with the underwriter, it appeared that the insurance company assumed most securities were in registered form. In view of several serious losses that have occurred in recent years amongst trust companies and other depositories, there has been a general trend to register as many securities as can be put in that form. Perhaps you might look into this point to see whether it might not be desirable to put as many of the Society's securities as possible in registered form and also, if necessary, take it up with the insurance company so as to ensure that there is no misunderstanding in this respect.

It is good to see the increase in earnings in the Society during 1960 over those of the previous year and we are looking forward with interest to the results for 1961. I can see that progress is being made toward building up the Guarantee Fund, the general reserve and surplus and I can only say that we feel this trend is most desirable. We continue to appreciate the general desire of co-operative organizations to provide services at the lowest possible cost to members but at the same time we continue to believe that it is in the best interests of all concerned to build up the reserve and surplus position of the Society to a stronger level yet.

Yours very truly,

"K. R. MacGregor"

Superintendent of Insurance.



SCHEDULE 4

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 4TO BRIEF OF B.C. CENTRAL CREDIT UNION

AN EXTRACT FROM THE 12TH ANNUAL REPORT OF B.C.
CENTRAL CREDIT UNION GIVING A BRIEF ANALYSIS
OF THE EFFECT OF THE "CO-OPERATIVE ASSOCIATIONS
ACT" ON B.C. CENTRAL CREDIT UNION

"No change in operations was felt by the membership or the Directors when the actual certification became effective. For about two years we had been gradually setting out our plan of operations so that it would conform in general with the requirements of the Federal Act and the Department of Insurance in Ottawa. For instance, on the matter of cash reserves, the Manager had been reporting each month on our liquid reserve position in relation to the requirements of the B. C. Credit Unions Act. While there was a slight difference between the requirements of the B. C. Act and the Federal Act, they were enough alike that the change-over went almost unnoticed. There is greater responsibility though, placed upon the Directors on the matter of cash reserves. Now no loans may be made if the reserves are not on hand, or if the making of a loan would reduce the reserves below the on-hand requirements. The Directors and Officers of Central can be jointly or severally liable for the amount of any loans made in violation of the provisions of the Co-operative Credit Associations Act. It is obvious therefore, that the Directors are now more mindful of liquid reserve requirements. This question of responsibility for loans made contrary to the provisions of the Federal Act, can also exist with respect to the size of any one loan. So that you, as members, can be assured that all the funds of Central are not being put out on a few very large loans, there is a requirement that any loan in excess of 10% of the shares and deposits of Central, must be reported quarterly to our membership, as well as to the Department of Insurance in Ottawa. Loans of this size may be made provided they are for a period not exceeding one year and are adequately secured. Since August 5th, we have had no such loan.

While no change was necessary in borrowing arrangements at the time of our certification, if need for funds had required, the Directors could have taken advantage of the much wider borrowing powers of the Federal Legislation. In fact, upon instructions from the Directors, the President and Manager did immediately arrange for a line-of-credit of approximately two million dollars. By the way, our peak borrowings last year, under the Provincial Act, could not have exceeded the sum of \$750,000.00. The line-of-credit application for two million dollars, which was approved, is available for our use this summer if such a need arises. The Directors look upon the increased borrowing rights as one of the important gains to come out of our registration under the Co-operative Credit Associations Act."



Nethercut & Young

Toronto, Ontario

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SCHEDULE 5

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 5

ASSOCIATION

TO BRIEF OF B.C. CENTRAL CREDIT UNION

TYPE OF ANNUAL REPORT REQUIRED BY
SUPERINTENDENT OF INSURANCE

ANNUAL STATEMENT

of the

REQUIRED TO BE MADE UNDER THE PROVISIONS OF THE
CO-OPERATIVE CREDIT ASSOCIATIONS ACT

FOR THE YEAR ENDED DECEMBER 31, 19

DEPARTMENT OF INSURANCE
OTTAWA

K.R. MacGREGOR
Superintendent of Insurance.

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CONFIDENTIAL

7:00 PM, 10/11/19

10/11/19

of the

PROCESSED TO BE MADE UNDER THE PROVISIONS OF THE
OF OPERATIONAL AND TACTICAL INFORMATION ACT

FOR THE TEAM AND PERSONNEL OF THE

OTAWA

Group 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

PLEASE DO NOT FORGET TO SIGN IT



Nethercut & Young
Toronto, Ontario

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SCHEDULE 5

(This Statement is to be completed and returned in duplicate to the Department of Insurance on or before March 1, 19)

.....
(Name of the Association)

.....
(Head Office and Mailing Address)

STATEMENT FOR THE YEAR ENDED DECEMBER 31, 19 .

OFFICERS:

(as at date of filing statement.....19.....)

President..... Manager.....
Vice-Presidents..... Secretary.....
..... Treasurer.....
.....

DIRECTORS:

(as at date of filing statement.....19.....)

<u>Name</u>	<u>Address</u>	<u>Term of office expires</u>
-------------	----------------	-------------------------------

.....
.....
.....
.....
.....

AUDITORS:

.....
(The Auditors' report to the Superintendent of Insurance, as required under sub-sections (3) and (4) of section 54 of the Co-Operative Credit Associations Act, and the Auditors' report to the shareholders should accompany this statement or be sent forward as soon as possible.)

CORPORATE HISTORY

Incorporated (date).....

Instrument of Incorporation and amendments thereto (Acts, legislative bodies and dates).....

Commenced business (date).....

Certificate granted under Co-Operative Credit Associations Act (date).....



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SCHEDULE 5

CAPITAL.

- | | | |
|----|--|--------------|
| 4 | 1. Amount of capital authorized..... | \$..... |
| 5 | (.....shares of \$.....each) | |
| 6 | 2. Amount subscribed..... | \$..... |
| 7 | (.....shares of \$.....each) | |
| 8 | 3. Amount paid in cash..... | \$..... |
| 9 | (.....shares of \$.....each) | |
| 10 | 4. Amount paid on shares during the year..... | \$..... |
| | 5. Amount of shares redeemed during the year.... | <u>.....</u> |
| | 6. Net decrease in paid share capital..... | \$..... |
| | increase | |

+ LIST OF SHAREHOLDERS
(As at December 31, 19)

	Name	Address	Number of shares	Amount Subscribed \$ c.	Amount paid in cash \$ c.
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					

To be completed by an individual, elected by Special Act of Parliament but not by organizations subject to Part IV of the Co-Operative Credit Associations Act.



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SCHEDULE 5

I. ASSETS
(at book value)

		\$	C.
1.	Deposit and Loan Department:-		
6	(1) Loans to members (Schedule A, page 11)	\$.....	
7	Loss provision for loans in default	.....
	(Schedule B, page 12)		
8	(2) Interest on loans: due \$.....; accrued \$.....		
9	(3) Bonds owned by the Association (Schedule C, page 13)		
10	(a) Canadian; government, municipal, school		
11	(b) Other		
12	(4) Interest on bonds: due \$.....; accrued \$.....		
13	(5) Stocks owned by the Association (Schedule D, page 14)		
14	(6) Dividends on stocks: due \$.....; accrued \$.....		
15	(7) Mortgage loans not included in Item 1		
16	(8) Interest on mortgages: due \$.....; accrued \$.....		
17	(9) Real estate owned by the Association (Schedule E, page 15)		
18	(10) Rents: due \$.....; accrued \$.....		
19	(11) Cash (Schedule F, page 16)		
20	(12) Interest on cash: due \$.....; accrued \$.....		
21	(13) Other assets:		
22	(a)		
23	(b)		
24	(c)		
25	(d)		
26	(e)		
27	(f)		
28	(g)		
29	Other Departments		
30	Total Assets		
31	Depreciations		
32	(1) Office furniture and equipment	\$.....	
33	(2)	.....
34	(3)	.....



SCHEDULE 5

II. LIABILITIES

		\$	c.
1.	Deposit and Loan Department:-		
6	(1) Deposits by members (Schedule G, page 17)	.....
7	(2) Interest accrued on deposits	.....
8	(3) Borrowed money, other than members' deposits (Schedule H, page 18)	.....
9	(4) Bank overdrafts (Schedule F, page 16)	.....
10	(5) Interest accrued on borrowed money and bank overdrafts	.....
11	(6) Taxes, licences and fees, due and accrued	.....
11	(7) Interest on share capital, declared but unpaid	.....
12	(8) Dividends to members, declared but unpaid	.....
12	(9) Accounts payable	.....
13	(10) Other liabilities:		
14	(a)	.....
15	(b)	.....
16	(c)	.....
16	(d)	.....
17	(e)	.....
17	(11) Provision for interest on share capital and dividends to members	.....
18	(12) Provision for deficiency of market value under book value of real estate, bonds and stocks	.....
19	(13) Reserves:		
20	(a) Guarantee fund (Exhibit 1, page 9)	.....
21	(b)	.....
22	(c)	.....
22	(d)	.....
23	Other Departments	.....
3.	Total Liabilities	.....
24	Surplus:		
25	(a) Deposit and Loan Department	\$.....	
26	(b) Other Departments	
5.	Paid share capital	
27	Grand Total	



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SCHEDULE 5 -

III. REVENUE ACCOUNT
INCOME

	Deposit and Loan Department	Other Departments
	\$ c.	\$ u.
1. Interest earned on loans to members
2. Interest earned on bonds
3. Dividends earned on stocks
4. Interest earned on cash deposits
5. Interest earned on mortgage loans (not included in Item 1)
6. Net rents earned on real estate (including \$.....for occupancy of own building) less taxes, expenses and repairs
7. Charges for chequing service
8. Other income:		
(a)
(b)
(c)
(d)
(e)
9. Total Income



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111, 121, 131, 141, 151,

III. REVENUE ACCOUNT

Ի ՎԵՐԱԲՈՒԹՅՈՒՆ

		Deposit and Loan Department	Other Department
		\$	c.
1.	Interest incurred on deposits by members	.....	.....
2.	Interest incurred on borrowed money and bank overdrafts	.....	.....
3.	Bank service charges	.....	.....
4.	Clearing house fees	.....	.....
5.	† Taxes, licences and fees, other than taxes on real estate	.....	.....
6.	Administrative expenses:		
(1)	Advertising, promotion, education	.....	.....
(2)	Auditors' fees	.....	.....
(3)	Directors' and Committee meetings	.....	.....
(4)	Furniture and equipment	.....	.....
(5)	General meetings	.....	.....
(6)	Insurance, except on real estate	.....	.....
(7)	Legal fees	.....	.....
(8)	Membership fees and dues	.....	.....
(9)	Postage, telephones, telegraphs and express	.....	.....
(10)	Printing and stationery	.....	.....
(11)	Rents	.....	.....
(12)	Salaries	.....	.....
(13)	Staff pension plan contributions	.....	.....
(14)	Travelling expenses	.....	.....
(15)	Unemployment insurance	.....	.....
(16)		.....	.....
(17)		.....	.....
(18)		.....	.....
7.	Other expenditures:		
(a)		.....	.....
(b)		.....	.....
(c)		.....	.....
B.	Total Expenditure
D.	Net earnings transferred to Profit and Loss
	Total
	



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1			
2			
3			
4			
5		Deposit and Loan	Other
6		Department	Department
		\$ c.	\$ c.
1	Surplus brought forward from previous year
2	Transferred from Revenue Account	.....	.....
3	Decrease in Guarantee Fund	.....	.....
4	Decrease in other reserves	.....	.....
5	Decrease in provision for interest on share capital and dividends to members	.....	.....
6	Decrease in provision for deficiency of market value under book value of investments	.....	.....
7	Decrease in provision for loans in default	.....	.....
8	Profit on sale of assets	.....	.....
9	Recoveries on assets previously written off	.....	.....
10		.....	.....
11		.....	.....
12		.....	.....
13	Totals	.....	.....
14	Interest on share capital	.....	.....
15	Dividends to members	.....	.....
16	Increase in Guarantee Fund	.....	.....
17	Increase in other reserves	.....	.....
18	Increase in provision for interest on share capital and dividends to members	.....	.....
19	Increase in provision for deficiency of market value under book value of investments	.....	.....
20	Increase in provision for loans in default	.....	.....
21	Loss on sale of assets	.....	.....
22	Loan balances written off
23	Other assets written off
24	
25	
26	
27	Surplus at end of year
28	
29			
30			



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SCHEDULE 5

EXHIBIT I - ANALYSIS OF GUARANTEE FUND

		\$	c.
1	Amount of guarantee fund at end of previous year
2	Amount set aside from net earnings of year	.....	.....
3	Other increases:-		
4	(1)	.....	.....
5	(2)	.....	.....
6	Total	.....	.....
7	Losses charged against fund:- (give details)		
8	(1)	.....	.....
9	(2)	.....	.....
10	(3)	.....	.....
11	Amount of guarantee fund at end of year	.....	.....
12	Total	.....	.....

MISCELLANEOUS

13	What is the day regularly fixed by by-law for holding the Annual General Meeting?.....
14	Date of last annual general meeting (as at date of filing statement).....
15	State dates and purposes of any Special General Meetings held during the year:-.....
16	Have any By-laws been enacted, amended or repealed during the year or subsequent thereto up to the date of filing this statement?.....
17	State by-law numbers.....
18	Have certified copies of all changes been filed with the Department?.....
19	Has the Association guaranteed the repayment of principal or payment of interest on moneys borrowed by any of its members? If so, give details.....
20	Specify the officers and employees of the Association who are under bond, stating the nature of the bond and for what sums respectively:-.....
21	.....
22	.....
23	.....

OFFICES OTHER THAN HEAD OFFICE

	Name of office	Street address
24		
25		
26		
27		
28		
29		
30		



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SCHEDULE 5

EXHIBIT 2 - BALANCE SHEET FORMS

1. Liquidity

(1) 5% of total deposits by members

\$.....

Cash on hand and on deposit in chartered banks in Canada

\$.....

(2) 20% of total deposits by members

\$.....

Cash on hand and on deposit in chartered
banks in Canada

\$.....

Bonds owned by the Association - Canadian
government, municipal, school

.....

\$.....

(Excluding such securities as are pledged)

2. Maximum limit on deposits, borrowings and guarantees granted -

(1) Paid capital

\$.....

(2) Guarantee fund

.....

(3) Surplus

.....

Total

\$.....

10 times total of paid capital, guarantee fund and surplus

\$.....

(a) Deposits by members

\$.....

(b) Money borrowed

.....

(c) Bank overdrafts

.....

(d) Loans guaranteed by Association

.....

Total

\$.....

3. Maximum limit on single loans:-

(1) Deposits by members

\$.....

(2) Paid capital

.....

Total

\$.....

Limit - 10% of Total

\$.....



66199011

SEEDS TO MEMBERS

1. The amount of loans under the note separate notes, the schedul should show each loan on a separate line.



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SCHEDULE 5

SCHEDULE B

LOANS IN DEFAULT AS TO PRINCIPAL OR INTEREST FOR A PERIOD OF THREE MONTHS OR MORE

[illegible]



SCHEDULE 5

SCHEDULE C

BONDS AND DEBENTURES OWNED BY THE ASSOCIATION

[illegible]

* See also a statement published by the Department of Insurance, Canada, for values and for directions (in the introduction) in priority and subordination. In addition to providing grand totals for all bonds, sub-totals are to be shown under these classifications: (a) Canadian Governments and guarantees (b) Canadian municipalities (c) Canadian school corporations (d) all other bonds.



SCHEDULE 5

SCHEDULE D
STOCKS OWNED BY THE ASSOCIATION

[illegible]



STITCHES E

REAL ESTATE HELD BY THE ASSOCIATION

[illegible][illegible]



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Toronto, Ontario

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SCHEDULE 5

SCHEDULE F
CASH AND OVERDRAFTS

Name of Bank or other depository	*Balance for each branch	†Net Cash balance for each bank and other cash items	†Net overdraft for each bank
	\$ c.	\$ c.	\$ c.
On deposit in bank:-			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
Totals in bank:.....			
On deposit elsewhere:-			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
Totals on deposit elsewhere:.....			
Total on deposit and net overdrafts.....			
Cash on hand:-			
(a) At head office of Association.....			
(b) At branches of Association.....			
Total cash.....			

For each branch balance give the name of the bank and the location of the branch. The amount of each branch overdraft is to be preceded by a minus sign.
The total of the "net cash balances, et c." is to be carried into the assets (item 1(1) page 4) and the total of the "net overdrafts" into the liabilities (item 1 (h), page 5)



SCHEDULE 5

SCHEDULE G

DEPOSITS BY MEMBERS

(a) - SUMMARY OF DEPOSITS

Guaranteed interest rate	Amount of deposits			
	Repayable on demand	Repayable sub- ject to notice	Repayable at end of specified period	Total
%	\$	\$	\$	\$
Totals				

(b) - DEPOSITS IN EXCESS OF \$10,000

Name of member	Amount of deposits			
	Repayable on demand	Repayable sub- ject to notice	Repayable at end of specified period	Total
	\$	\$	\$	\$
Totals				



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..... 5

SCHEDULE B

BORROWED MONEY OTHER THAN BANK OVERDRAFTS

[illegible]

* List of Insurance, Canada, for values and for directions (in the Introduction) in preparing this Schedule.



SCHEDULE 5

ATTESTATION

AFFIDAVIT VERIFYING STATEMENT

PROVINCE OF.....
COUNTY OF..... CITY OF.....
.....President and.....Secretary
of the.....being duly sworn, depose and
say, and each for himself says, that they are the above described officers of the said
Association and that the foregoing statement and the separate schedules therein referred
to are made up from the books of the Association and that to the best of our knowledge
and belief they are correct and show truly and clearly the financial position of the
Association and the condition of the Association's affairs on the thirty-first day of
December, 19.....

.....
President.
Subscribed and sworn to before)
me this.....)
day of.....19....)
.....
Secretary.

.....
(State whether Commissioner, Notary Public, etc.)

* This affidavit is to be sworn to before some person duly authorized to administer
oaths in legal proceedings for the county or district where the affidavit is subscribed
and sworn to.

AUDITORS' CERTIFICATE

TO THE SUPERINTENDENT OF INSURANCE ON THE ANNUAL STATEMENT DEPOSITED WITH
HIM IN PURSUANCE OF THE CO-OPERATIVE CREDIT ASSOCIATIONS ACT.

We hereby certify that we have audited the books of.....
.....
for the year ended on the thirty-first day of December, 19.... We have received
all the information and explanations we have required and we report that, in our
opinion, the foregoing statement and the separate schedules therein referred to
drawn up so as to exhibit a true and correct view of the state of
the Association's affairs on the thirty-first day of December, 19....according
to the best of our information and the explanations given to us and as shown by
of the Association.



SCHEDULE 5

AUDITORS' REPORT TO SUPERINTENDENT OF INSURANCE

The Auditors' Report required to be made to the Superintendent of Insurance under the provisions of the Co-Operative Credit Associations Act is to be furnished with this statement or as soon as possible thereafter, but filing of the statement should not be delayed after March 1 until the Report is available. The statement will be accepted in advance of the Report, subject to completion of the Auditors' Certificate on page 19. The relevant provisions of the Act concerning the said Report are set out hereunder:-

54. (3) The auditor shall make a report to the Superintendent with respect to the accuracy of the statement required by section 51 to be deposited in the Department, and shall also report to him upon the adequacy of the procedure adopted by the association to safeguard the interests of its creditors and members and as to the sufficiency of his own procedure in auditing the affairs of the association.

54. (4) The auditor shall disclose to the Superintendent any matters or circumstances that have come to his knowledge or attention during the course of the audit that would in his opinion assist the Superintendent in the administration of this Act; and the Superintendent may enlarge or extend the scope of the audit and direct that any other or particular examination be made or procedure established.



SCHEDULE 6

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 6TO BRIEF OF B.C. CENTRAL CREDIT UNION

A COMPARISON OF FEDERAL STATUTORY REGULATION AND CONTROL
OF CO-OPERATIVE CREDIT ASSOCIATIONS, SUCH AS B.C.
CENTRAL CREDIT UNION, AND OTHER COMMERCIAL FINANCIAL
INSTITUTIONS

(NOTE: This is a cursory review of relevant legislation governing Co-operative Credit Societies, Trust Companies (Canadian), Canadian and British Insurance Companies, Loan Companies (Canadian) and Small Loan Companies and Individual Money Lenders. The different organization of the relevant Acts and their several amendments makes the comparison difficult and it may be incomplete. It tends to illustrate, however, some similarity in types of control and regulation and to point-up certain differences. These differences may relate to differences in type of organization and function and/or differences which have evolved historically.)

CENTRALS (CO-OPERATIVE CREDIT SOCIETIES)

(Registered under Co-operative Credit
Associations Act of Canada S.C. 1952/53
Chap. 28)

Borrowing Powers and Restrictions 1. The Society may borrow from members, Canadian Co-operative Credit Society or chartered banks. (Section 8 (1)(c)).

2. Aggregate borrowing is limited to ten times the aggregate of paid up capital, guarantee reserve and surplus. (Section 47).

3. Deposits are treated as borrowings.

Loaning and Investment Powers 1. Sections 44 and 45 prohibit any loan if the aggregate cash (on hand and on deposit in bank) is less than liquidity reserves required by statute.

2. Section 46 prohibits any loan to a member if the aggregate of total loans to the member less the market value of governmental securities for the loan plus the total amount invested in the member's securities by the Society exceeds ten percent of the aggregate paid up capital of the Society or if the loan would have this result.

3. Section 83 (1) prohibits investments or deposits except in governmental securities except securities of members under Section 46



SCHEDULE 6 -

4. Section 83 (2), however, permits larger loans to members if duly approved and if the term of the loan does not exceed one year and is adequately secured. In such event special reports to the Superintendent of Insurance are required.

Valuation
of
Securities

1. Sections 44 and 45, which prohibit the making of any loan unless the Society has five percent of deposits in cash, on hand, or on deposit in chartered banks and an aggregate of 20% in cash and unpledged Governmental securities, require that Governmental securities be valued at market value.

2. Section 58 gives the Superintendent authority to have any real estate owned by the Society appraised at the Association's expense and the appraised value, if it is materially less than shown in the return to the Superintendent may be substituted in the annual report.

3. In his report for the Minister, the Superintendent shall allow as assets only such loans and investments as are authorized by the Act. (Section 59).

4. Section 61 permits the Superintendent to amend any statement of assets and liabilities as if it were a statement to be embodied in his annual report to the Minister.

5. Section 51 (3) requires that the bonds, debentures and other securities owned by the Association shall be taken into account at values not in excess of market values at the date of the statement or at the discretion of the Superintendent at a date not more than 60 days before the date of the statement.

6. Section 51 (4) and (5) provide that in the annual statement any loan made by the Association, in default as to principal or interest, shall be shown at a value not exceeding the outstanding amount of the loan



Valuation
Securities

4. Section 17, however, states that in the event of a loan not exceeding one year and is adequately secured. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.

5. Section 18, however, states that in the event of a loan exceeding one year and is not adequately secured, the loan is subject to the provisions of Section 17, but is subject to the provisions of Section 18. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.

6. Section 19, however, states that in the event of a loan exceeding one year and is not adequately secured, the loan is subject to the provisions of Section 17, but is subject to the provisions of Section 18. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.

7. Section 20, however, states that in the event of a loan exceeding one year and is not adequately secured, the loan is subject to the provisions of Section 17, but is subject to the provisions of Section 18. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.

8. Section 21, however, states that in the event of a loan exceeding one year and is not adequately secured, the loan is subject to the provisions of Section 17, but is subject to the provisions of Section 18. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.

9. Section 22, however, states that in the event of a loan exceeding one year and is not adequately secured, the loan is subject to the provisions of Section 17, but is subject to the provisions of Section 18. In such event, the loan is not subject to the provisions of Section 17, but is subject to the provisions of Section 18.



SCHEDULE 6 -

less a proportion as specified in subsection (5) of the difference between the outstanding amount of the loan and the aggregate of:

- (a) the amount of money on deposit with the Association to the credit of the borrower; and
- (b) the market value of any Governmental securities pledged as security for the loan.

Subsection (5) then applies a yardstick of delinquency ranging from a deduction of 10% for a loan which is in default for a period of three months but less than six months to a deduction of 100% for a loan in default for twenty-four months or more.

Supervision,
Reports and
Inspection

1. Section 51 and Section 55 and following provide for the filing of annual statements, the contents thereof, the powers of the Superintendent of Insurance to visit and inspect and to make corrections including increasing or diminishing the liabilities in any such statement to the true and correct amounts as ascertained by him, and the power of the Treasury Board to cancel a Certificate of Registration under the Act.

Reserve
Provisions

1. Section 50 requires the Society each year to put into guarantee reserve (for bad debts) 20% of the net earnings but where at the close of any year the amount of the guarantee fund equals at least 10% of the aggregate of the paid up capital and the total amount of money on deposit the Directors may, by special resolution of the delegates, direct that no monies be set aside for the guarantee fund for the then current year. The Directors may establish such other reserve funds in addition to the guarantee fund as deemed necessary or advisable. For the purpose of this section the net earnings shall be ascertained from the annual statement deposited with the Department.



SCHEDULE 6

TRUST COMPANIES

(Subject to the Trust Companies Act
R.S.C. Chap. 272 as amended)

Borrowing
Powers and
Restrictions

1. For the purposes of Section 63 (its trust powers) the Company may borrow money pursuant to Section 70 (1) but not by debenture (Section 70 (2)).

2. Section 70 (3) limits the aggregate sums borrowed and money entrusted to the Company for investment, the repayment of which is guaranteed, to twelve and one-half times the paid up capital stock and reserves.

Loaning and
Investment
Powers

1. Section 64 (1) (c) (i) permits investment of unguaranteed trust money in Governmental securities and certain interests in real estate as well as other securities authorized for trust investment by Provincial law. (Section 64 (1) (a)).

2. Section 64 (1) (d) authorizes lending or investing guaranteed money in additional securities including the securities of debentures, bonds and stock of Canadian corporations with specified dividend records if authorized under 68 (1) (b) (j) but by Section 64 (7) these additional investments are not to exceed 25% of the total amount of guaranteed trust money held by the Company.

3. Section 68 permits investment of the Company's own funds in Governmental securities, real estate and stock of Canadian Companies with specified dividend records; but not more than 30% of the common stock or of the total issue of the stocks of any corporation shall be purchased and the Company is prohibited from investing in its own stock or that of another trust company.

4. The Company may place its own funds in investments or loans otherwise than mentioned in Section 68 but such investments or loans shall not



SCHEDULE 6

exceed 15% of the unimpaired paid up capital and reserve (Section 68 (5a) (a)), but not so as to enlarge particular limitations on certain types of investments elsewhere specified by Section 68.

Valuation
of
Securities

1. Section 72A provides that redeemable securities acquired otherwise than by purchase shall be deemed to have been purchased at a price not exceeding the market value and where the option to redeem a security is not exercised at the redemption date used to determine the yield then with respect to the remainder of the term the security shall be deemed to have been purchased at that date at a price equal to the then amortized value.

2. The securities owned by a Company or held in respect to guaranteed trust monies shall be taken into account in every annual statement at values that in total do not exceed the aggregate of:

(a) the amortized values of redeemable securities not in default issued or guaranteed by the Government of Canada or a Provincial Government.

(b) the market value of those securities described in (a).

3. Every annual statement shall show in schedules the market values of all securities owned by the Company or held in respect of guaranteed trust monies at the date of the statement.

4. Under Section 76 the Superintendent may request any Company to dispose of and realize on any of its investments not authorized by the Act, and the directors are jointly and severally liable for the payment of any deficiency.

5. Under Section 78 the Superintendent may cause an appraisal to be made of real estate and adjust the statement accordingly.



SCHEDULE 6

Supervision,
Reports and
Inspection

1. Sections 72 and 73 provide for the filing of annual statements and the contents thereof and inspection by the Superintendent of Insurance.

Section 74 provides for a special report where assets are deficient and gives the Minister power to suspend or cancel licences or to grant conditional licences.

2. Section 75 deals with the annual report and authorizes the Superintendent not only to make all necessary corrections but to increase or diminish the assets and liabilities to the true and correct amounts, as ascertained by his examination.

Reserve
Provisions

1. Section 26 (1) (c) authorizes the Directors by by-law not contrary to the Act or any by-law duly passed by the shareholders to set aside, out of premium on shares or of profits, a reserve fund. There does not appear to be any other provision as to reserves.

INSURANCE COMPANIES

(Subject to the Canadian and British
Insurance Companies Act R.S.C.Chap. 31,
as amended.)

Borrowing
Powers and
Restrictions

Do not appear to be specifically dealt with.

Loaning and
Investment
Powers

1. Section 63 gives loaning powers for types of investments similar to those in which trust companies may invest their own funds and with similar limitations.

2. Section 63 (4) permits the Company to loan its funds for similar additional purposes as permitted under the Trust Companies Act. Like trust companies (as to trust companies' own funds) the insurance company may make other types of loans but such loans in aggregate must not exceed 5% of the book value of the total assets of the Company.

Valuation of
Securities

1. Section 57 requires all deposits with the Minister to be in securities of, or guaranteed by, the



Section 6

1. Section 7B and 7C provide for the filing of annual statements and the conduct of annual inspection by the Registrar of Companies. Section 7B provides for a special report where necessary to be filed and gives the Registrar power to require or cause to be filed any document or information which he may require.

2. Section 7C deals with the annual return and in relation to the superintendant and only in the case of necessary connection for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

3. Section 7D (1) to (3) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

(Subject to the Registrar's power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.)

4. Section 7E (1) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

5. Section 7F (1) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

6. Section 7G (1) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

7. Section 7H (1) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

8. Section 7I (1) provides for the Registrar to have power to require the filing of any document or information which he may require for the purpose of discharging his duties and liabilities to the Registrar or to any person or body of persons.

Section 7B and 7C

Section 7D

Section 7E and 7F

Section 7G and 7H

Section 7I

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SCHEDULE 6

Dominion of Canada or any Province or of the United Kingdom, North Ireland or any British Dominion or Colony and the value of such securities shall be computed at their market value at the time when deposited. Other securities may be deposited but will be valued by the Treasury Board as at the date of deposit.

2. Section 58 provides that where the market value of securities deposited declines the Minister may notify the Company to make further deposits.

3. Section 71 makes the same provision as in the Trust Companies Act with respect to the valuation of redeemable securities and with respect to cases where the option to redeem is not exercised.

4. The same section provides with respect to classes of business other than life insurance the securities owned by a company shall be taken into account at values which in total do not exceed market values.

5. With respect to life insurance, securities owned by a company shall be taken into account at values which in total do not exceed the amortized value of Governmental securities and the market values of other securities.

6. The same section further provides that where in the opinion of the Minister market values are unduly depressed the Minister may for the purposes of valuing securities other than Governmental securities, use values in excess of the market values but not exceeding the values used for these purposes in the next preceding annual statement or in the case of securities acquired since that statement not exceeding book values.

7. Section 75 makes similar provisions as the Trust Companies Act as to the appraisalment of real



ARTICLE 10

That the said Corporation or any person acting on its behalf

and the value of such stock shall be determined in
their market value at the time such stock is
acquired as will be determined by the
President and as the value of the stock.

2. Section 10 of the Act shall apply to the value
of such stock as determined by the President and
shall apply to the value of the stock as determined

3. Section 10 of the Act shall apply to the value
of such stock as determined by the President and
shall apply to the value of the stock as determined
the option to redeem is not exercised.

4. The same section of the Act shall apply to the
value of such stock as determined by the President and
shall apply to the value of the stock as determined
account of value in total of the stock as determined

5. With respect to the value of such stock as determined
by a company which is a subsidiary of the corporation
which in total do not exceed the value of the stock
as determined by the President and as the value of the stock

6. The same section of the Act shall apply to the value
of such stock as determined by the President and
shall apply to the value of the stock as determined

7. The same section of the Act shall apply to the value
of such stock as determined by the President and
shall apply to the value of the stock as determined
account of value in total of the stock as determined

8. The same section of the Act shall apply to the value
of such stock as determined by the President and
shall apply to the value of the stock as determined



SCHEDULE 6

estate and extends it also to the appraisalment of real estate secured by mortgages.

Supervision,
Reports and
Inspection

1. Section 69 makes provision for the annual statement to the Superintendent of Insurance and Sections 72 and 73 provide for inspection by the Superintendent; Section 77 provides that only permissible investments will be allowed and the Superintendent may make corrections increasing or diminishing the liabilities of such companies to the true and correct amounts thereof as ascertained by him.

Reserve
Provisions

1. Section 82 requires a reserve for all unmatured obligations guaranteed under the terms of the company's policies dependent on life, disability, sickness, accident or any other contingency or on a term certain and shall also include a reserve for profits. The section then proceeds to indicate the basis upon which the reserve will be computed in accordance with actuarial principles.

2. By virtue of Section 85 every company is required to retain in Canada and under its own control assets of a value at least equal to the amount of its total liabilities to its policy-holders in Canada, and at least two-thirds shall consist of investments in or loans upon Canadian securities. There is also a provision for deposits outside of Canada.

LOAN COMPANIES

(Subject to the provisions of the Loan Companies Act R.S.C. Chap. 170 as amended)

Borrowing
Powers and
Restrictions

1. Section 64 authorizes borrowing by bonds, debentures or other securities.

2. Section 66 provides that all money, the

and extend it also to the appointment of
real estate secured by mortgages.

Supervision,
Reports and
Inspection

1. Section 95 makes provision for the
annual statement to the Superintendent of Insurance
and Sections 96 and 97 provide for inspection by the
Superintendent; Section 98 provides that only per-
mitted investments with insured and the Super-
intendent may make certain investments or
disinvesting the liabilities of such companies in
trust and control amounts thereof is determined by
him.

Reserve

2. Section 99 requires a reserve for all
unpaid obligations to insured under the terms of
the company's policies dependent on life, disability,
sickness, accident or any other contingency or on a
term contract and shall also include a reserve for
profits. The section then proceeds to indicate the
basis upon which the reserve will be computed in
accordance with actuarial principles.

3. By virtue of Section 99 every company is
required to retain in United States and when it is
issued of a policy as loan to the company of a
total liability to the policyholder in cash, and
at least two-thirds of the amount of investment in
low-risk securities. The law also provides
that the company's assets shall be

Section 100
(added to the Insurance Code of the State
by Chapter 100, Laws of 1911)
as amended

Repealed
Section 101
Section 102

4. Section 101 provides for the
determination of the amount of the
5. Section 102 provides for the



SCHEDULE 6

repayment of capital or interest of which is guaranteed, is deemed to be borrowed money.

3. Section 68 (2) (e) limits borrowing (duly authorized) to twelve and one-half times unimpaired paid up capital stock and reserves.

4. Section 68 (3) permits deduction from borrowed money of all cash on hand or on deposit in chartered banks.

5. Monies secured by debenture stock is treated as borrowings.

Loaning and
Investment
Powers

1. Section 60 (1) authorizes investments in securities of a Governmental nature, real estate and bonds and stocks of Canadian companies with similar limitations to those in the Trust Companies Act and the British and Canadian Insurance Companies Act.

2. Section 60 (3) limits investments in common stocks at book value to 15% of the book value of the Company's total funds.

3. Section 60 (5) limits the Company's investment in the securities of any other company to 20% of the total securities of such Company.

4. Section 60 (6) permits the Company to take personal or other securities as collateral for an advance or for any debt due to the Company.

Valuation of
Securities

1. Section 70A makes similar provisions to those provided for Trust Companies with respect to valuation of securities.

2. Section 74 makes similar provision to those in the Canadian and British Insurance Companies Act for the appraisal of over-valued real estate and appraisal of lands held as security for loans on mortgages.

Supervision,
Reports and
Inspection

1. Section 71 makes provision for inspection by the Superintendent of Insurance and the reports to



WIND-UP

percentage of capital on interest of which is guaranteed
is deemed to be borrowed money.

3. Section 60 (2) (a) limits borrowing to
amount fixed, to be not more than one-half of the
paid up capital and reserves.

4. Section 60 (3) provides that the
paid up money of all cash on hand or on deposit in
chartered banks

5. Money secured by debentures shall be
treated as borrowed.

6. Section 60 (4) authorizes investments in
securities of a Government, local, trust, estate and
bonds and stocks of Canadian companies with similar
limitations to those in the United Kingdom Act and
the British and Canadian Insurance Companies Act.

7. Section 60 (5) limits investments in
common stocks at not more than 10% of the paid up
of the company's total funds.

8. Section 60 (6) limits the company's
investment in the securities of any other company to
20% of the total securities of such company.

9. Section 60 (7) provides that the company
shall not make any loan or advance to any person or
advance or for any other purpose to any person.

10. Section 60 (8) provides that the company
shall not make any loan or advance to any person or
advance or for any other purpose to any person.

11. Section 60 (9) provides that the company
shall not make any loan or advance to any person or
advance or for any other purpose to any person.

12. Section 60 (10) provides that the company
shall not make any loan or advance to any person or
advance or for any other purpose to any person.

Limitation of

Reports and
Accounts



SCHEDULE 6

be filed and for a special report where assets are deficient with power to suspend or cancel licence. It also gives the Superintendent the power to make corrections in the financial statement either increasing or diminishing the assets or liabilities of such companies to the true and correct amounts thereof as ascertained by him, and the Company may be required to dispose of and realize on unauthorized investments, and the directors are jointly and severally liable for any deficiency.

Reserve Provisions

1. Section 65 which gives loan companies the right to receive money on deposit requires by subsection (4) that the Company maintain as reserves at all times:

- (a) cash on deposit in chartered banks in Canada or in joint stock companies of Great Britain or Northern Ireland;
- (b) Securities of a Governmental nature;
- (c) Loans payable on demand and fully secured by such securities; or
- (d) A credit from chartered banks in Canada or joint stock banks in Great Britain or Northern Ireland subject to conditions approved by the Superintendent to an aggregate amount of at least 20% of the amount of money deposited with the Company.

2. Section 81 provides the directors may set aside out of premiums on stock and out of the profits of the Company such sums as they think proper as a reserve fund and until distributed in dividends these shall be kept invested in securities and be subject to the limitations mentioned in Section 60.



SCHEDULE 6

COMPANIES SUBJECT TO SMALL LOANS ACT
R.S.C. Chap. 251 as amended.

Borrowing
Powers and
Restrictions

1. The borrowing powers of Section 68 of the Loan Companies Act by Section 13 (3) of the Small Loans Act do not apply.

2. By amendment in 1956 Section 16 the prohibition against raising money by issue of bonds, debentures and other securities appears to have been removed.

3. Section 15 permits borrowing (duly authorized by a required majority.) As the limitations of the provisions of the Loan Companies Act are excluded by Section 13 (3) there appears to be no limit to borrowing.

4. Small Loan companies are prohibited from taking deposits (Section 16).

Lending and
Investment
Powers

1. Section 13 (3) apparently prohibits lending money on the security of real property by the exclusion of the relevant sections of the Loan Companies Act.

2. Section 14 permits loans up to \$1,500.00 upon the security of promissory notes, conditional sales agreements, chattel mortgages and other types of personalty.

3. Money lenders under Part I may also make loans of this nature.

4. By virtue of Section 13 (2) money lenders have the same powers as loan companies to invest except as to real estate.

Valuation of
Securities

1. There appears to be no provision for valuation of securities of companies governed by the Small Loans Act. The provisions of Section 70A of the Loan Companies Act does not apply by virtue of Section 13 (3).



SCHEDULE 6

Supervision,
Reports and
Inspection

1. Sections 7, 8 and 9 provide for inspection by the Superintendent of Insurance and the filing of statements and annual reports, and for the suspension or cancellation of licence as well as for the investigation of loans and business of unlicensed money lenders.

Reserve
Provisions

1. As by virtue of Section 13, Section 65 of the Loan Companies Act does not apply; there is no provision as to reserves.



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SCHEDULE 7

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ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 7

TO BRIEF OF B. C. CENTRAL CREDIT UNION

SCHEDULE OF GROWTH OF B. C. CENTRAL CREDIT UNION

1950 to 1961

ASSETS

	CASH & BANK	INVESTMENTS (PERMITTED) AS RESERVES		INVESTMENTS OTHERS		LOANS TO MEMBERS	LAND & BUILDINGS	OTHER ASSETS	TOTAL ASSETS
		(1)	(2)	(3)	(4)				
Apr. 30, 1950	67,500	46,421	290	721,475	-	5,241	840,927		
Apr. 30, 1951	76,636	181,811	290	869,260	-	7,226	1,135,223		
Apr. 30, 1952	109,152	261,782	890	1,273,367	-	10,839	1,656,030		
Apr. 30, 1953	209,231	426,303	890	1,752,304	-	11,275	2,400,004		
Mar. 31, 1954	171,369	620,547	890	1,917,289	300	12,942	2,723,337		
Mar. 31, 1955	315,849	866,785	10,890	2,268,100	31,000	12,311	3,504,935		
Dec. 31, 1955	647,729	809,666	10,890	2,708,480	31,000	10,085	4,217,850		
Dec. 31, 1956	877,771	1,303,354	11,160	3,526,149	69,286	16,799	5,804,519		
Dec. 31, 1957	892,780	1,011,991	162,961	5,971,709	200,244	20,178	8,259,863		
Dec. 31, 1958	1,010,697	1,487,690	179,368	5,381,725	257,893	19,774	8,337,147		
Dec. 31, 1959	1,130,870	1,187,285	221,110	7,952,372	411,545	29,695	10,932,877		
Dec. 31, 1960	1,531,296	1,420,926	251,116	7,965,086	399,290	36,884	11,604,598		
Dec. 31, 1961	2,099,496	2,247,114	203,520	9,404,468	390,166	44,013	14,388,777		

(1961 Figures subject to year-end audit)

(1) Shown at lessor of cost or market

(2) Shown at lessor of cost or market

(3) After providing for delinquency, as per measure in Co-operative Credit Association's Act, Sec. 51.

(4) Includes accrued interest on Investments and on Loans to Members.

LIABILITIES

	DEMAND (Chequing) DEPOSITS	TERM DEPOSITS	NOTES PAYABLE	OTHER LIABILITIES (5)	SHARES	GUARANTEE RESERVE (6)	OTHER RESERVES (7)	UNDIVIDED EARNINGS	TOTAL LIABILITIES
Apr. 30, 1950	416,488	351,988	10,000	7,305	49,935	2,578	-	2,633	840,927
Apr. 30, 1951	589,923	442,128	20,000	8,116	64,410	5,252	-	5,394	1,135,223
Apr. 30, 1952	869,287	577,767	108,000	13,142	71,750	8,468	-	7,616	1,656,030
Apr. 30, 1953	1,027,249	729,771	372,000	21,515	223,840	10,786	5,569	9,274	2,400,004
Mar. 31, 1954	1,437,221	969,335	-	23,755	261,190	12,594	10,000	9,242	2,723,337
Mar. 31, 1955	1,712,698	1,227,785	100,000	59,702	356,300	17,723	18,128	12,599	3,504,935
Dec. 31, 1955	2,194,967	1,464,385	-	36,351	453,705	23,487	21,323	23,632	4,217,850
Dec. 31, 1956	3,053,374	1,914,697	-	20,252	768,205	5,608	-	42,383	5,804,519
Dec. 31, 1957	3,227,138	2,533,409	1,570,000	10,462	745,580	49,286	-	53,988	8,259,863
Dec. 31, 1958	4,036,690	3,258,334	-	21,328	873,765	70,628	21,867	54,535	8,337,147
Dec. 31, 1959	3,323,357	4,104,016	2,353,000	30,162	1,008,355	59,909	-	54,078	10,932,877
Dec. 31, 1960	4,520,225	5,105,602	525,000	90,337	1,152,625	122,064	49,548	39,196	11,604,598
Dec. 31, 1961	4,300,684	5,791,945	300,000	322,008	1,415,235	150,407	70,939	37,564	14,388,777

(1961 Figures subject to year-end audit)

(5) Includes accrued charges and starting December 1960 includes Provision for Dividends.

(6) Net balance after providing for delinquency and in some cases after providing for deficiency in bond valuations.

(7) Net balance after providing for deficiency in bond valuations.



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SCHEDULE 8

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 8

TO BRIEF OF B. C. CENTRAL CREDIT UNION.

THE MOST RECENT UNAUDITED STATEMENT

OF B. C. CENTRAL CREDIT UNION, TAKEN AS OF DECEMBER 31, 1961.

(Note: The Audited Statement presently being prepared will be filed with the Commission)

ASSETS

Cash \$2,099,495.72

Investment in Government
& Municipal Bonds-at cost \$2,252,796.20

(Valuation by Dept. of
Insurance \$2,247,114.50)

Investment in Other
Securities 191,470.00

(Valuation by Dept. of
Insurance 191,470.00)

Add: Accrued Interest thereon 35,150.95 2,479,417.15

Loans to Members-Hypothecated 9,421,439.07

Add: Accrued Interest thereon 8,449.42 9,429,888.49

Accounts Receivable - Sundry 412.45

Other Investments 12,050.00

Land, Buildings and Furniture

Land at cost 109,277.89

Building-at cost 382,707.28

Deduct: Accumulated
depreciation 41,819.34 340,887.94

Furniture & Fixtures -
at cost 39,798.81

Deduct: Accumulated
depreciation 39,798.81 450,165.83

Deduct: Equity of Joint Owner 60,000.00 390,165.83

\$14,411,429.64



SCHEDULE 8

LIABILITIES

Loans Payable - Canadian
Co-operative Credit Society

\$ 300,000.00

Members' Deposits

Withdrawable on Demand

4,300,684.44

Withdrawable on one day's Notice

7,791,939.67

Acceptances Outstanding

18,428.61

Accounts Payable & Accrued Charges

27,212.86

Accrued Interest Term Deposits

192,242.60

Provision for Dividends

65,000.00

Provision for Credit Union Administration Course

9,213.07

Provision for Royal Commission Brief Expenses

5,911.27

Provision for Convention Expenses

4,000.00

Reserve for excess of book value of bonds
over market

5,681.70

Members' Equity

Members' Shares paid up

1,415,235.00

Guarantee Reserve

139,849.74

General Reserve

104,148.76

243,998.50

Appropriated to Reserve for
Excess of Book Value of Bonds
over Market price

5,681.70

238,316.80

Undivided Earnings

37,563.62

275,880.42

1,691,115.42

\$ 14,411,429.64



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SCHEDULE 8

INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31, DECEMBER 1961.

INCOME

Loan Interest		492,205.39
Bond Interest		107,211.10
Chequing Service Charges		71,143.15
Interest on Building Investment		24,000.00
		<u>694,559.64</u>

INTEREST PAID TO MEMBERS

Chequing Service	56,033.72	
Term Deposits	<u>283,338.17</u>	<u>339,371.89</u>
		355,187.75

OPERATING EXPENSE

Interest on Borrowed Money	43,063.20	
Bond Premium written-off	1,418.50	
Discount, Exchange and Bank Charges	53,855.32	
Chequing Supplies	<u>3,750.18</u>	<u>102,087.20</u>
		253,100.55

GROSS OPERATING INCOME

Add: Sundry Income	100.00	
Entrance Fees	<u>25.00</u>	<u>125.00</u>
		253,225.55

ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and Related Costs	64,849.20	
Rent and Light	9,038.20	
Office Supplies	3,827.55	
Machine Rental & Servicing	5,021.31	
Postage	2,995.33	
Telephone and Telegraph	3,149.18	
Insurance	3,153.94	
Legal and Audit	4,803.32	
Directors and Officers	4,111.25	
Dues and Affiliations	3,500.00	
General Expense	7,290.78	
Convention Expense	4,544.06	
Promotion and Organization	3,954.29	
Depreciation, Furniture & Fixtures	1,304.90	
Victoria Office Alterations	<u>3,477.72</u>	<u>125,021.03</u>

Excess of Income over Expenditure for the Year 128,204.52

Deduct: 20% thereof transferred to Guarantee Reserve 25,640.90

Balance of Net Income - Transferred to Balance Sheet \$ 102,563.62



SCHEDULE 10

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 1C

TO BRIEF OF B.C. CENTRAL CREDIT UNION

PERSONNEL OF BOARD OF DIRECTORS AND KEY PERSONNEL OF B.C. CENTRAL
CREDIT UNION WITH RELEVANT INFORMATION

AGE	EMPLOYER	OCCUPATION	SERVICE WITH CENTRAL	OTHER EXPERIENCE
49	McMillan, Bloedel & Powell River Co. Ltd. for 16 years.	By-Products Supervisor	President - second year Director since June 1953	President of I.W.A. #1-217 Credit Union for 16 years.
40	GORDON K. ALLAN Government of Canada, National Revenue Department for 16 years	Corporation Assessor	Vice-President - second year. Director since June 1955 Credit Committee - 2 yrs.	Supervisory Committee of Vancouver Federal Employees Credit Union for 9 years. Director of Vancouver Federal Employees Credit Union for 2 years. Held degrees as Certified General Accountant 1947 and was a C.P.A. 1950 (Ontario) Bank Employee for 3½ years (Teller Accountant).
42	EDWARD W. BENTLEY Vancouver City Savings Credit Union for 7 years.	Treasurer-Manager	Director for 9 years. President for 2 years. Credit Committee - 10 yrs.	Director of Gulf & Fraser Fishermen's Credit Union for 6 years. Bank Employee for 5 years (Accountant) Fishermen's Co-operative Federation for 6 years. (Treasurer) Credit Union Reserve Board member for 2½ years.



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SCHEDULE 10

AGE	EMPLOYER	OCCUPATION	SERVICE WITH CENTRAL	OTHER EXPERIENCE
45	J. WESLEY DARLING Vancouver Federal Employees Credit Union for 12 years.	Treasurer- Manager	Director since June 1957 Credit Committee - 4 yrs. Supervisory Committee - 7 yrs.	Canadian Army 1945-46 - Paymaster.
48	WILLIAM J. DEW B.C. Sugar Refining Co. Ltd. for 33 years	Personnel Assistant	Director since June 1953 Vice-President for 2 years. President for 3 years. Credit Committee - 1 yr.	Director of B.C.S.R. Savings Credit Union for 13 years. President for 8 years.
36	THE EAST CHILLIWACK FRUIT GROWERS' CO- operative Association	Manager	Director since June 1960 Supervisory Committee - 3 yrs.	Director of East Chilliwack Credit Union for 4 years (Treasurer for 3 of these)
43	HELMUT KRUEGER Fruitvale Progressive Credit Union for 8 years (In Canada 10 years)	Treasurer- Manager	Director since June 1957	Employee for 8 years with City Bank (Accountant), Minden, Westphalia. Bank College (Germany)
46	THOMAS O'CONNOR Elco Credit Union for 2 years	Treasurer- Manager	Director since June 1960	Assistant Inspector of Credit Unions in B.C. for 3 years. Shell Oil Co. Canada Ltd. for 14 years (Accountant).
54	J. HOWARD PRATT Alberni District Credit Union for 7 years	Treasurer- Manager	Director since June 1961	B.A. Oil Co., Ltd., for 19 years - Sales Department. Treasurer and Director of Peerless Credit Union for 3 years. Bank Teller for 6 years.



SCHEDULE 10

<u>AGE</u>	<u>EMPLOYER</u>	<u>OCCUPATION</u>	<u>SERVICE WITH CENTRAL</u>	<u>OTHER EXPERIENCE</u>
48	Fraser Valley Milk Producers' Association for 14 years.	Assistant to Controller	Director since June 1959. Supervisory Committee - 4 yrs. Credit Committee - 3 yrs.	Certified General Accountant.
67	Retired. B.C. Telephone Co. Ltd., in Victoria, B.C. for 35 years.	Chief Switchman	Director since June 1954	President of Victel Credit Union for 21 years. Director of B.C. Credit Union League for 20 years. President of B.C. Credit Union League for 1 year. Credit Union Reserve Board member for 2½ years, and present Chairman.
48	P.M.H.E. Credit Union for 6 years.	Treasurer-Manager	Director since June 1961 Supervisory Committee - 5 yrs.	Air Force for 4 years. Personnel Manager - (Massey Harris and Alaska Pine) 11 years.
54	B.C. Central Credit Union	Secretary-Manager	Secretary-Manager since June 1948. Director for 1 year. Supervisory Committee - 2 yrs.	Dairyland, Division of Fraser Valley Milk Producers' Ass'n. for 17 years (Accountant). Treasurer of Dairyland Employees Credit Union for 5 years.



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SCHEDULE 10

AGE	EMPLOYER	OCCUPATION	SERVICE WITH CENTRAL	OTHER EXPERIENCE
ROBERT M. WADSWORTH	33 B.C. Central Credit Union	Chartered Accountant	Chief Accountant for 3 years	Frederick Field & Co., as articled student and Chartered Accountant for 7 years. Graduate (Commerce) U.B.C.
JAMES B. WARREN	46 B.C. Central Credit Union	Office Manager	Office Manager since 1955	Dairyland, Division of Fraser Valley Milk Producers' Ass'n. for 8 years (Cashier) Supervisory Committee of Dairyland Employees Credit Union for 8 years.



SCHEDULE 11

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 11

TO BRIEF OF B.C. CENTRAL CREDIT UNION

RESOLUTION ADOPTED BY THE DIRECTORS OF B.C.
CENTRAL CREDIT UNION MAY 15TH 1961 AP-
POINTING CREDIT COMMITTEE AND CREDIT OFFICERS

"RESOLVED THAT:

1. The Credit Committee of Central heretofore duly elected at general meetings be and the same is hereby constituted as a committee appointed by the Board of Directors of Central responsible to and in all respects subject to the direction of the Board and subject to alterations in the personnel of the committee from time to time as the Board sees fit.

2. J. R. Robinson, the Manager of Central, be and he is hereby appointed a Credit Officer directly responsible to the Board.

3. That in the event the said Manager is absent from Vancouver, B.C., or is absent from the office due to illness, and so often as the same shall happen, R. Wadsworth, a paid employee of Central, be and he is hereby appointed a Credit Officer responsible to the Board through management.

4. Any credit officer appointed pursuant to the terms hereof shall have authority -

(a) To approve loans to credit unions up to the maximum which they are authorized in compliance with Section 14 of the Credit Unions Act 1961 to borrow: and

(b) To approve loans by way of over-draft or otherwise on current deposit accounts of any credit union which has an agreement with Central permitting it to treat accepted bills of exchange or orders drawn upon Central as requests for loans thereunder.

(c) To approve loans by way of over-draft by members other than credit unions, within the limits from time to time, permitted by the Credit Committee.

5. That the Credit Officers shall report to the Directors all loans approved by them by making available to the Board of Directors periodically from time to time the ledger cards of all members to which they have authorized loans since last reporting.

6. Save as in this resolution provided all loans to members, other than credit unions, must before being granted be approved by the Credit Committee, which shall have authority to approve the same, but the Credit Committee may fix the limit of loans by way of over-draft which a Credit Officer may approve for members other than credit unions,



SCHEDULE 11

"and the Credit Committee may approve any loan to a credit union referred to it by a Credit Officer.

7. The Credit Officers and the Credit Committee shall determine with respect to loans which they are hereby authorized to approve, the terms of repayment and interest and the manner and form of security for such loans within the general policies fixed by the Board of Directors from time to time.

8. Without limiting the authority of Credit Officers and the Credit Committee, they shall in exercising their authority in every instance with loans to credit unions, take into account sound operations, maintenance of liquidity reserves and maintenance of adequate guarantee reserves by the applicant."



SCHEDULE 12

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 12

TO BRIEF OF E.C. CENTRAL CREDIT UNION

A STATEMENT BY THE AUDITOR WITH RESPECT TO THE
DIVISION OF AUTHORITY BETWEEN DIRECTORS AND STAFF

Division of Authority

1. Committees of the Board:

(a) Administration Committee - Duties are:

(i) to preview matters which are for the Board's determination, and has the power to recommend only.

(ii) to advise Manager in matters of administration referred by Manager.

(b) Credit Committee - Under the Credit Unions Act this committee has the statutory powers delegated by the Board to approve all loans.

(c) Finance Committee - Is presently composed of Vice-President, Manager, and financial adviser. Duties are to approve all investments in securities for amounts in excess of \$25,000.00.

2. Credit Officer (Same person as Manager) - Responsible to Board. Authorized to approve all loans to Credit Unions only; may refer applications to Credit Committee.

3. Loaning Policy:

(a) Limits size of loan in relation to assets of borrower.

(b) Terms of repayment.

(c) Nature of charges to be taken as security - dictated by Board.

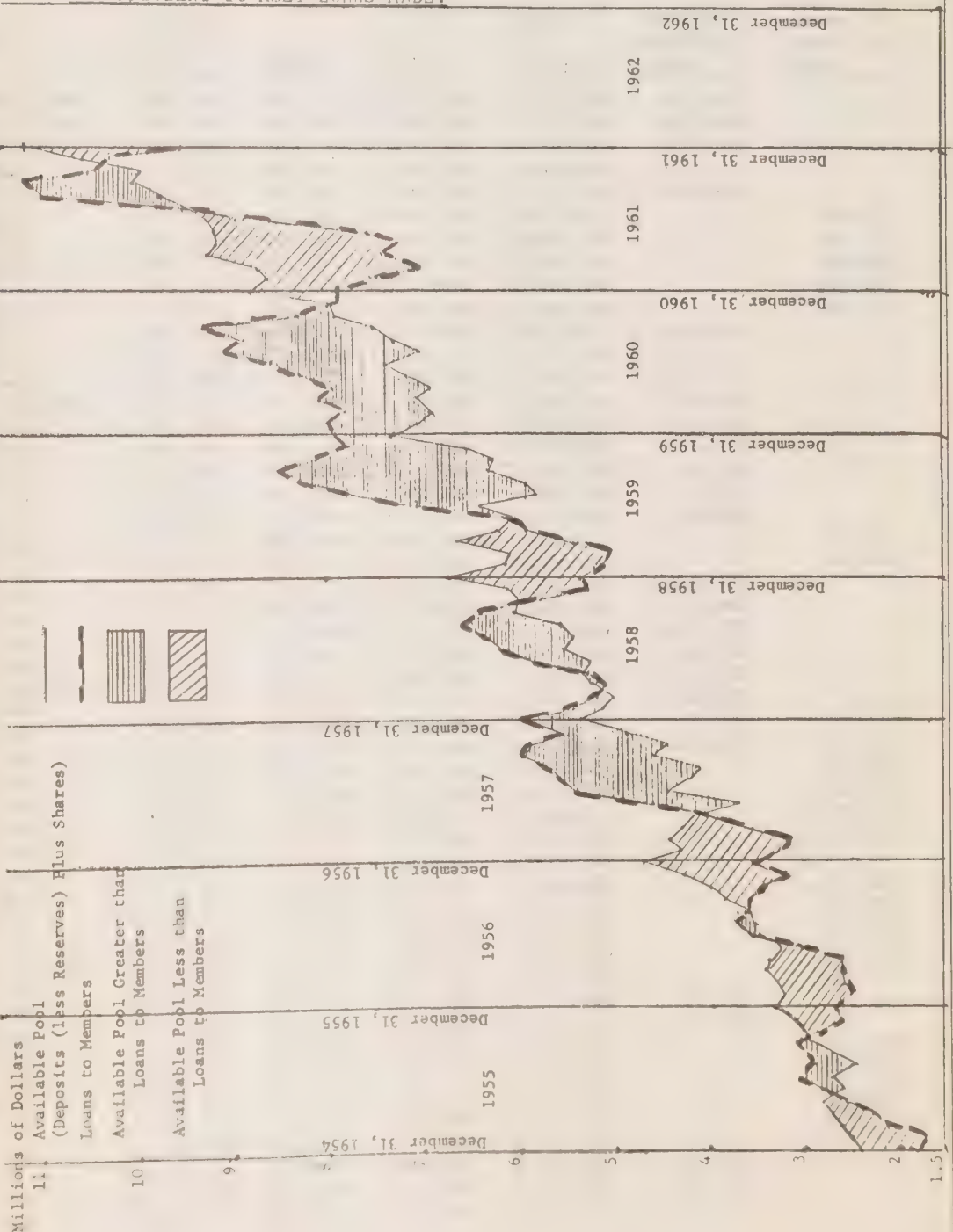
4. Investment Policy - As to maturities, long, intermediate and short term - set by Board. Except for occasional switching of maturities, essentially no trading is carried out.

5. Collection Policy - Delinquent loans - reviewed by Board and Manager instructed as to appropriate action to be taken.



CHART 14
ROYAL COMMISSION ON BANKING AND FINANCE
SCHEDULE 14
TO BRIEF OF B.C. CENTRAL CREDIT UNION

A CHART FOR THE YEARS 1954 to 1961 ILLUSTRATING THE PERIODS WHEN B. C. CENTRAL CREDIT UNION'S FUNDS AVAILABLE FOR LENDING EXCEEDED OR WERE INSUFFICIENT TO MEET LOANS MADE.





Schedule 14

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 14

TO BRIEF OF B. C. CENTRAL CREDIT UNION.

FLUCTUATIONS IN EMPLOYMENT OF MEMBERS' FUNDS.

AVAILABLE POOL OF FUNDS

	Deposits Less 20% Reserve	Shares	Total	Loans to Members	Pool in Excess of Loans	Loans in Excess of Pool
Dec. 1954	2,090,632	322,135	2,412,767	1,767,136	645,631	
Jan. 1955	2,235,881	322,250	2,558,131	1,700,251	857,880	
Feb.	2,278,028	323,730	2,601,758	2,130,265	471,493	
Mar.	2,378,120	356,300	2,734,420	2,268,099	466,321	
Apr.	2,410,635	409,875	2,820,510	2,595,635	224,875	
May	2,218,755	421,700	2,640,455	2,802,627		162,172
Jun	2,281,328	438,045	2,719,373	3,023,300		303,927
July	2,045,777	443,445	2,489,222	2,910,106		420,884
Aug.	2,281,922	447,045	2,728,967	2,978,128		249,161
Sep	2,476,435	449,570	2,926,005	3,086,162		160,157
Oct	2,587,664	449,205	3,036,869	2,821,915	214,954	
Nov	2,739,576	451,975	3,191,551	2,678,441	513,110	
Dec	2,927,482	453,705	3,381,187	2,708,480	672,707	
Jan. 1956	2,794,000	454,000	3,248,000	2,545,000	703,000	
Feb	2,845,000	464,000	3,309,000	2,628,000	681,000	
Mar	2,969,000	475,000	3,444,000	2,653,000	791,000	
Apr	2,835,000	577,000	3,412,000	2,649,000	763,000	
May	2,647,000	611,000	3,258,000	3,081,000	177,000	
Jun	2,907,000	638,000	3,545,000	3,532,000	13,000	
July	2,882,000	646,000	3,528,000	3,706,000		178,000
Aug	2,919,000	650,000	3,569,000	3,618,000		49,000
Sep	3,086,000	759,000	3,845,000	3,596,000	249,000	
Oct	3,245,000	760,000	4,005,000	3,482,000	523,000	
Nov	3,526,000	767,000	4,293,000	3,202,000	1,091,000	
Dec	3,969,000	768,000	4,737,000	3,529,000	1,208,000	
Jan. 1957	3,694,000	675,000	4,369,000	3,262,000	1,107,000	
Feb	3,766,000	675,000	4,441,000	3,203,000	1,238,000	
Mar	3,717,000	677,000	4,394,000	3,585,000	809,000	
Apr	3,555,000	677,000	4,232,000	4,029,000	203,000	
May	3,005,000	719,000	3,724,000	4,690,000		966,000
Jun	3,713,000	738,000	4,451,000	5,411,000		960,000
July	3,504,000	739,000	4,243,000	5,526,000		1,283,000
Aug	3,396,000	739,000	4,135,000	5,697,000		1,562,000
Sep	3,861,000	742,000	4,603,000	5,977,000		1,374,000
Oct	3,734,000	736,000	4,470,000	5,924,000		1,454,000
Nov	4,150,000	747,000	4,887,000	5,503,000		616,000
Dec	4,620,000	746,000	5,366,000	5,977,000		611,000
Jan. 1958	4,382,000	746,000	5,128,000	5,478,000		350,000
Feb	4,327,000	746,000	5,073,000	5,211,000		138,000
Mar	4,507,000	747,000	5,254,000	5,171,000	83,000	
Apr	4,524,000	823,000	5,347,000	5,302,000	45,000	
May	4,418,000	849,000	5,267,000	5,774,000		507,000
Jun	4,732,000	862,000	5,594,000	6,215,000		621,000
July	4,582,000	866,000	5,448,000	6,325,000		877,000
Aug	4,774,000	868,000	5,638,000	6,547,000		909,000
Sep	5,208,000	869,000	6,077,000	6,470,000		393,000
Oct	5,173,000	870,000	6,048,000	5,921,000	127,000	
Nov	5,305,000	873,000	6,178,000	5,300,000	878,000	
Dec	5,876,000	874,000	6,750,000	5,381,000	1,369,000	



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AVAILABLE POOL OF FUNDS

	Deposits Less 20% Reserve	Shares	Total	Loans to Members	Pool in Excess of Loans	Loans in Excess of Pool
Jan. 1959	5,303,000	874,000	6,177,000	5,198,000	979,000	
Feb	5,290,000	876,000	6,166,000	5,086,000	1,080,000	
Mar	5,808,000	881,000	6,689,000	5,490,000	1,199,000	
Apr	5,362,000	882,000	6,244,000	5,964,000	280,000	
May	5,140,000	961,000	6,101,000	6,309,000		208,000
Jun	5,391,000	983,000	6,374,000	7,037,000		663,000
July	4,872,000	987,000	5,859,000	7,818,000		1,959,000
Aug	4,959,000	990,000	5,949,000	8,296,000		2,347,000
Sep	5,313,000	1,001,000	6,314,000	8,534,000		2,220,000
Oct	5,312,000	1,004,000	6,316,000	8,198,000		1,882,000
Nov	5,614,000	1,007,000	6,621,000	7,792,000		1,171,000
Dec	6,385,000	1,008,000	7,393,000	7,989,000		596,000
Jan. 1960	6,063,000	1,019,000	7,082,000	8,030,000		948,000
Feb	5,907,000	1,023,000	6,930,000	7,862,000		932,000
Mar	6,060,000	1,023,000	7,083,000	8,106,000		1,023,000
Apr	5,922,000	1,023,000	6,945,000	7,999,000		1,054,000
May	6,130,000	1,100,000	7,230,000	8,323,000		1,093,000
Jun	6,282,000	1,136,000	7,418,000	8,675,000		1,257,000
July	5,916,000	1,146,000	7,062,000	9,124,000		2,062,000
Aug	6,202,000	1,147,000	7,349,000	8,952,000		1,603,000
Sep	6,402,000	1,147,000	7,549,000	9,279,000		1,730,000
Oct	6,820,000	1,150,000	7,970,000	8,382,000		412,000
Nov	6,853,000	1,151,000	8,004,000	7,962,000	42,000	
Dec	7,701,000	1,152,000	8,853,000	7,965,000	888,000	
Jan. 1961	7,526,000	1,153,000	8,679,000	7,500,000	1,179,000	
Feb	7,582,000	1,204,000	8,786,000	7,034,000	1,752,000	
Mar	8,174,000	1,204,000	9,378,000	7,446,000	1,932,000	
Apr	7,718,000	1,204,000	8,922,000	7,294,000	1,628,000	
May	7,608,000	1,368,000	8,976,000	7,670,000	1,306,000	
Jun	7,678,000	1,398,000	9,076,000	8,993,000	83,000	
July	7,905,000	1,402,000	9,307,000	9,827,000		520,000
Aug	8,385,000	1,400,000	9,785,000	11,004,000		1,219,000
Sep	8,704,000	1,401,000	10,105,000	11,205,000		1,100,000
Oct	8,607,000	1,403,000	10,010,000	10,547,000		537,000
Nov	9,220,000	1,413,000	10,633,000	10,191,000	442,000	
Dec	9,805,000	1,415,000	11,220,000	9,585,000	1,635,000	



SCHEDULE 15

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 15SCHEDULE SHOWING CURRENCY OF LOANS OUTSTANDINGAS AT THE YEAR-ENDS FOR 1959, 1960 AND 1961.AS AT DECEMBER 31, 1961

Repayable on Demand - Credit Unions	\$6,107,477.67
Repayable in 1962 - Credit Unions	698,125.80
Repayable on Demand - Co-operatives and others	1,874,164.43
Repayable in 1962 - Co-operatives and others	255,667.88
Repayable in 1963 - Co-operatives and others	160,205.92
Repayable in 1964 - Co-operatives and others	107,731.10
Repayable in 1965 - Co-operatives and others	125,616.27
Repayable in 1966 - Co-operatives and others	92,450.00

AS AT DECEMBER 31, 1960

Repayable on Demand - Credit Unions	3,931,963.19
Repayable in 1961 - Credit Unions	1,597,019.56
Repayable on Demand - Co-operatives and others	1,731,570.02
Repayable in 1961 - Co-operatives and others	211,727.01
Repayable in 1962 - Co-operatives and others	210,080.48
Repayable in 1963 - Co-operatives and others	109,560.00
Repayable in 1964 - Co-operatives and others	70,713.34
Repayable in 1965 - Co-operatives and others	102,452.82

AS AT DECEMBER 31, 1959

Repayable on Demand - Credit Unions	3,987,200.00
Repayable in 1960 - Credit Unions	1,436,700.00
Repayable on Demand - Co-operatives and others	1,648,500.00
Repayable in 1960 - Co-operatives and others	260,000.00
Repayable in 1961 - Co-operatives and others	10,500.00
Repayable in 1962 - Co-operatives and others	238,000.00
Repayable in 1963 - Co-operatives and others	193,000.00
Repayable in 1964 - Co-operatives and others	26,000.00
Repayable in 1965 - Co-operatives and others	150,000.00



SCHEDULE 16

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 16

TO BRIEF OF B.C. CENTRAL CREDIT UNION

COMPARATIVE SCHEDULE OF RATES APPLIED BY B.C. CENTRAL CREDIT UNION TO RATES OBTAINING OUTSIDE

BANK LOANING RATES - ANNUAL PERCENTAGES	CENTRAL'S INTEREST RATES CHARGED ON LOANS	CANADA & B.C. BOND EARNINGS - TREASURY BILLS, ETC.	CENTRAL'S INTEREST RATES AND DIVIDENDS PAID
(All Percentages are annual)	(All Percentages are annual)	(All Percentages are annual)	(All Percentages are annual)
Bank Prime Loan 4 1/2%	Demand and 1-2 year loans 5% (On equivalent of share investment in Central - Rate 4 1/2%)		Chequing Deposits - 2% (since 1948) paid monthly on minimum monthly balance.
	3 - 5 year Loans 5 1/2%		Term Deposits (1 year) 3% Share Dividend - 4%
1956 Bank Prime Rate increased in March - later to 5% and then to 5 1/2%	Demand and 1-2 year Loans (less preferential where applicable) 5% 3 - 5 year loans 5 1/2%		Chequing Deposits - 2% Term Deposits - 3% Share Dividend - 4%
1957 Bank Prime Rate 5 1/2%	Demand and 1-2 year Loans (January 1st) - 5 1/4% (July 1st) - 5 1/2% (Less preferential 1/2 of 1% on equivalent of shares plus Term Deposits)	Rates in June on:- Treasury Bills (90 day) 3-3/4% Canada Bonds - 3 yrs. to maturity - 4-3/4% 9 " " - 4.40%	Chequing Deposits - 2% Term Deposits (Jan. 1) - 3 1/4% " " (July 1) - 3 1/2% Share Dividend - 4%



SCHEDULE 16

CENTRAL'S INTEREST RATES
AND DIVIDENDS PAID

CANADA & B.C. BOND EARNINGS -
TREASURY BILLS, ETC.

CENTRAL'S INTEREST RATES
CHARGED ON LOANS

BANK LOANING RATES -
FINANCE PAPER RATES

1957
(Ctd.)

3 - 5 year loans - 5-3/4%
(July 1st) - 6%
Rates in June on:-
B.C. Bonds -
7 yrs. to maturity - 4-3/4%
12 1/2 " " - 4.70%

1958 Bank Prime Rate reduced Feb. 1st - 5 1/4%
to 5 1/4%
Demand and 1-2 year loans - 5 1/4%
(Feb. 1st)
(Less 1/2 of 1% preferen-
tial as above)
3 - 5 year loans - 5-3/4%
Chequing Deposits - 2%
Term Deposits - 3 1/2%
Share Dividend - 4%

B.C.'s. -
11 1/2 yrs. to maturity - 4%
Rates in December on:-
Treasury Bills - 3.50%
(90 day)
Canada's -
2 yrs. to maturity - 3%
5 " " - 3 1/2%
B.C.'s. -
2 yrs. to maturity - 4.70%
5 " " - 4.33%
B.C.'s. -
11 yrs. to maturity - 4-3/4%



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SCHEDULE 16

BANK LOANING RATES - FINANCE PAPER RATES		CENTRAL'S INTEREST RATES CHARGED ON LOANS		CANADA & B.C. BOND EARNINGS - TREASURY BILLS, ETC.		CENTRAL'S INTEREST RATES AND DIVIDENDS PAID	
(All Percentages are annual)		(All Percentages are annual)		(All Percentages are annual)		(All Percentages are annual)	
1959	Bank Prime Loan Rate - March 9th - 5½% April 27th - 5-3/4% (August 21, 1959 - no further credit available)	Demand and 1-2 year loans increased from 5¼% on April 1st to and on May 1st to (½ of 1% preferential discontinued Nov. 1st)	Rates in June on:- Prime Paper (90 day) 5.50% Treasury Bills (90 day) 5.08% Canada Bonds - 2 yrs. to maturity - 5½% 4½ yrs. " - 4.75% B.C. Bonds - 10½ yrs. to maturity - 5.20%	Chequing Deposits - 2% Term Deposits - 3½% (Start May 1st - interest bonus ¼ of 1% for each ¼% increase in Central's prime loan rate above 5¼%)			
	Prime Paper - 5.50% (not Bank)	3 - 5 year loans - 6%	Rates in December on:- Prime Paper (90 day) 5.50% Treasury Bills (90 day) 5.02% Canada Bonds - 2 yrs. to maturity - 4.83% 4 " " - 5.00% B.C. Bonds - 10 yrs. to maturity - 5.80%	Term Deposit Interest Base of 3½% increased Nov. 1st to 4% Share Dividend - 4%			



SCHEDULE 16

BANK LOANING RATES - FINANCE PAPER RATES		CENTRAL'S INTEREST RATES CHARGED ON LOANS		CANADA & B.C. BOND EARNINGS - TREASURY BILLS, ETC.		CENTRAL'S INTEREST RATES AND DIVIDENDS PAID	
(All Percentages are annual)		(All Percentages are annual)		(All Percentages are annual)		(All Percentages are annual)	
Bank Prime Rate	5-3/4%	Demand and 1-2 year loans	5-3/4%	Rates in June on:		Chequing Deposits	- 2%
Prime Paper (not bank)	- 4 to 4 1/2%	3 - 5 year loans	- 6%	Prime Paper (90 day)	- 4.00%	Term Deposits (1 yr.)	- 4 1/2%
				Treasury Bills (90 days)	- 2.92%	4% plus 1/2% Bonus	
				Canada Bonds -		Share Dividend	- 4 1/2%
				3 yrs. to maturity	- 4.42%		
				10 " "	- 4.86%		
				B.C. Bonds -			
				9 1/2 yrs. to maturity	- 5.60%		
				Rates in December on:-			
				Prime Paper (90 day)	- 4.50%		
				Treasury Bills (90 day)	- 3.69%		
				Canada Bonds -			
				2 yrs. to maturity	- 4.05%		
				8 1/2 " "	- 4.91%		
				B.C. Bonds -			
				9 yrs. to maturity	- 5.00%		



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SCHEDULE 16

BANK LOANING RATES - FINANCE PAPER RATES		CENTRAL'S INTEREST RATES CHARGED ON LOANS		CANADA & B.C. BOND EARNINGS - TREASURY BILLS, ETC.		CENTRAL'S INTEREST RATES AND DIVIDENDS PAID	
(All Percentages are annual)		(All Percentages are annual)		(All Percentages are annual)		(All percentages are annual)	
1961	Back Prime Rate - 5-3/4% until June 1st 1961 - then - 5 1/2%	Demand and 1-2 yr. loans until June 1st - then - 5 1/2%	5-3/4%	Rates in June on: Prime Paper (90 day) Treasury Bills (90 day) Canada Bonds - 3 yrs. to maturity - 4.49% 9 " " - 4.82%	3.50% 3.05%	Chequing Deposits - 2% Term Deposits (1 mo. to 1 yr.) (effective Jan. 1st varying rate from 2% to 4% plus Bonus after 9th month). (1/4% bonus for each 1/4% Prime Loan rate exceeds 5 1/4%)	- 2% - 2% to 4 1/2%
	Prime Paper (Not Bank) - 3 1/4% to 3 1/2%	Deposit-Loans (1 yr. or less) 3 - 5 yr. loans - 6%	5-3/4%	B.C. Bonds - 8 1/2 yrs. to maturity - 5.18%		Share Dividend - 4 1/2% (proposed) plus 1/2% Bonus	- 4 1/2% + 1/2%
				Rates in December on:- Prime Paper (90 day) - 3.25% Treasury Bills (90 day) - 2.73%			
				Canada Bonds - 3 yrs. to maturity - 3.73% 7 1/2 " " - 4.45%			
				B.C. Bonds - 8 yrs. to maturity - 4.70%			



Schedule 17

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 17

TO BRIEF OF B. C. CENTRAL CREDIT UNION

TYPES AND MATURITIES OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 1961.

	Maturity	1-5 years	6-10 years	11-15 years	16-20 years	above	Book Value	Market Value
CANADA AND PROVINCIAL GOVERNMENTS AND THEIR GUARANTEES								
1	1964-1983	101,500			50,000	(1983) 50,	148,175.00	146,487.50
2	1966-1981	10,000			50,000		57,887.50	53,100.00
3	1967-1969		95,000				86,998.75	85,130.00
4	1962-1981	23,000	32,000		52,000		106,220.00	105,930.00
5	1970-1976		3,000	5,000			8,000.00	8,080.00
6	1962-1968	8,500	4,000				12,500.00	11,770.00
7	1965-1966	16,000					15,189.60	15,680.00
8	1962-1964	24,000					23,316.70	23,760.00
9	1962-1976	8,000		4,000			12,000.00	11,810.00
10	1962	3,000					2,970.00	3,000.00
11	1962-1973	274,000		1,000			267,508.65	273,530.00
12	1967-1968		2,000				46,184.70	45,320.00
13	1967-1968		49,000				25,435.35	25,785.00
14	1967-1968		27,000				34,836.80	34,590.00
15	1967-1968		37,000				30,000.00	30,000.00
16	1962-1964	30,000					40,000.00	40,000.00
17	1967-1970		40,000			(1987) 10,000	11,300.00	10,200.00
18	1962-1987	1,300				(1990) 600	498,699.25	503,202.00
19	1965-1990	448,000	50,100				49,361.25	48,000.00
20	1963-1968	24,200	26,500					
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Toronto, Ontario

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Schedule 17

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Maturity	1-5 years	6-10 years	11-15 years	16-20 years	above	Book Value	Market Value
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CANADA AND PROVINCIAL GOVERNMENTS
AND THEIR GUARANTEESB.C. Toll Highway & Bridge
Authority

Province of New Brunswick

Province of Newfoundland

Province of Ontario

Hydro Electric Power Commission
of Ontario

CANADIAN MUNICIPALITIES

City of Kelowna, B.C.

City of New Westminster, B.C.

City of North Vancouver, B.C.

City of Penticton, B.C.

City of Prince Rupert, B.C.

City of Vancouver, B.C.

Village of Terrace, B.C.

District of Burnaby, B.C.

Grand Forks, B.C., S.D. #12

South Okanagan, B.C., S.D. #14

Greater Vanc. Water District

SUMMARY OF BONDS AT PAR VALUE

MATURITY

1 - 5 Years

6 - 10 "

11 - 15 "

16 - 20 "

22 "

26 "

29 "

\$ 1,207,500

788,600

123,000

153,000

25,050

10,000

600

\$ 2,307,750

100,000.00

47,125.00

4,850.00

69,687.50

120,912.50

117,750.00

4,962.50

199,000.00

3,160.00

13,950.00

13,875.00

77,464.25

13,170.50

83,872.90

2,430.00

8,540.00

13,212.50

2,252,796.20

2,247,114.50

100,000

50,000

5,000

5,000

25,000

60,000

5,000

102,000

15,000

19,000

19,000

14,000

85,000

3,000

4,000

5,000

5,000

1,207,500

100,000

50,000

5,000

5,000

25,000

60,000

5,000

102,000

15,000

19,000

19,000

14,000

85,000

3,000

4,000

5,000

5,000

1,207,500

40,000

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SCHEDULE 18

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 18

TO BRIEF OF B.C. CENTRAL CREDIT UNION

LETTER OF ADVICE GIVEN TO CREDIT UNIONS BY B.C. CENTRAL CREDIT UNION WHEN BANKS RESTRICTED BORROWING TO B.C. CENTRAL CREDIT UNION.

"B. C. CENTRAL CREDIT UNION
P.O. Box 2038
Vancouver 3, B. C.

August 24, 1959.

TO OUR MEMBERS:

RE: CURTAILMENT IN GRANTING OF LOANS.

Central was advised today by its bankers that, due to the very tight money situation general throughout Canada, they could not make available to us any further credits. This means that our present borrowings, amounting to over \$3,000,000, cannot be increased and, therefore, that we will have to get along as best we can at this present level.

Central must keep itself in a position to meet withdrawals from deposit accounts by its members. In order to assure of our being able to do this, we are asking all members to limit their loans to their own members.

We recognize that credit unions might have certain commitments to members that they must meet before they can put into effect an actual curtailment of loans. These we feel can be taken care of, but any further loans by credit unions to their members must be limited to the funds coming into a credit union by way of loan repayments and share purchases.

Within the next three to four weeks repayments of loans obtained from Central should exceed requests for new loans. This has been the normal pattern upon your Central Credit Union for the last ten to eleven years and we would expect it to be the condition this year also. If this usual flow of funds takes place this year, then our position should begin to improve by the end of September.

It is our hope that this request for a general slow-down in the granting of loans to our members, will only be required of them for the next four to six weeks, and that after that date we will be able to announce an easing off of the restrictions.

We must point out the GREAT URGENCY for IMMEDIATE STEPS to be taken in this matter, and advise that if our position gets any more critical than it is, we will have to take even firmer steps than those indicated.

We would thank all our members in anticipation of their co-operation in this request and would advise that further letters will be forthcoming to keep you fully informed of our position.

Yours truly,

J.R. Robinson
Manager"

JRR:eg



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Toronto, Ontario

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SCHEDULE 19

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 19

TO BRIEF OF B. C. CENTRAL CREDIT UNION

BORROWINGS BY B. C. CENTRAL CREDIT UNION FROM

CANADIAN CO-OPERATIVE CREDIT SOCIETY SINCE ITS INCORPORATION

<u>DATE</u>	<u>BORROWED</u>	<u>REPAID</u>	<u>BALANCE</u>
June 5, 1957	50,000.00		
June 8	150,000.00		200,000.00
July 2	100,000.00		300,000.00
Dec. 16		50,000.00	250,000.00
Jan. 27, 1958	50,000.00		300,000.00
Feb. 10	50,000.00		350,000.00
July 31		185,000.00	165,000.00
Nov. 18		165,000.00	NIL
Apr. 23, 1959	200,000.00		200,000.00
May 27	300,000.00		500,000.00
Aug. 19		50,000.00	450,000.00
Nov. 26		450,000.00	-
Dec. 9	428,000.00		428,000.00
Feb. 5, 1960	100,000.00		
Feb. 12	100,000.00		628,000.00
Mar. 8		100,000.00	
Mar. 22		128,000.00	
Mar. 29	150,000.00		550,000.00
May 4		100,000.00	
May 6	100,000.00		
May 31		50,000.00	500,000.00
Aug. 18	275,000.00		775,000.00
Oct. 31		100,000.00	675,000.00
Nov. 10		100,000.00	
Nov. 16		100,000.00	475,000.00
Dec. 12		175,000.00	
Dec. 19		100,000.00	
Dec. 27		100,000.00	
Dec. 31		100,000.00	NIL
July 31, 1961	500,000.00		500,000.00
Sept 25	300,000.00		800,000.00
Dec. 19		300,000.00	
Dec. 20		200,000.00	300,000.00
Jan. 4, 1962		300,000.00	-



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SCHEDULE 20

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 20

TO BRIEF OF B.C. CENTRAL CREDIT UNION

LAST AUDITED STATEMENT OF
CANADIAN CO-OPERATIVE CREDIT SOCIETY

DELOITTE, PLENDER, HASKINS & SELLS
CHARTERED ACCOUNTANTS

403 Leader Building
REGINA, CANADA

To the Shareholders of
The Canadian Co-operative Credit Society Limited.

We have examined the balance sheet of the Canadian Co-operative Credit Society Limited as at December 31, 1961, and the statements of operations and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Society and accompanying balance sheet and statements of operations and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Society as at December 31, 1961, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

"Deloitte Plender Haskins & Sells"

January 22, 1962.

Auditors.



Nethercut & Young

Toronto, Ontario

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EXHIBIT A

CANADIAN CO-OPERATIVE CREDIT SOCIETY LIMITED

(Incorporated under the Laws of Canada)

BALANCE SHEET AS AT DECEMBER 31, 1961

(With comparative figures as at December 31, 1960)

ASSETS

	1961	1960
CURRENT ASSETS:		
Cash.....	\$ 16,780.62	\$ 20,912.05
Loans to members.....	300,000.00	
Accrued interest on loans.....	6,012.33	11,187.11
Accrued interest on bonds.....	1,429.99	937.39
Total current assets.....	324,222.94	33,036.55
INVESTMENTS - Schedule 1 - at cost plus amortized discount (market value 1961 - \$117,520.00, 1960 - \$96,100.00).....	131,916.80	111,756.37
TOTAL.....	\$456,139.74	\$144,792.92

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable.....	\$ 28.30	\$
Members deposits.....	317,000.00	
Accrued interest on deposits.....	4,457.70	15,349.27
Total current liabilities.....	321,486.00	15,349.27
CAPITAL AND SURPLUS:		
Capital Stock:		
Authorized:		
10,000 shares of \$100.00 par value each		
Subscribed (1961 - 2,675, 1960 - 2,665).....	267,500.00	266,500.00
Unpaid and uncalled.....	156,600.00	156,600.00
Paid up.....	110,900.00	109,900.00
Reserve for investment fluctuations.....	14,396.80	15,656.37
Guarantee fund.....	4,992.69	4,150.68
	120,289.49	129,707.05
Surplus (deficit) - Exhibit C.....	4,364.25	(263.40)
Total capital stock and deficit.....	134,653.74	129,443.65
TOTAL.....	\$456,139.74	\$144,792.92

Signed on behalf of the Board:

..... Director.

..... Director.

EXHIBIT BCANADIAN CO-OPERATIVE CREDIT SOCIETY LIMITEDSTATEMENT OF OPERATIONSFOR THE YEAR ENDED DECEMBER 31, 1961

(With comparative figures for the previous year)

	<u>1961</u>	<u>1960</u>
REVENUE:		
Interest on loans.....	\$17,157.66	\$33,936.35
Interest on investments.....	4,315.33	3,782.75
Gain on redemption of securities.....		80.00
Patronage dividend.....	9.00	
	<u>\$21,481.99</u>	<u>\$37,799.10</u>
EXPENSES:		
Directors expense.....	\$ 564.28	\$ 1,122.70
Legal fees.....		35.00
Printing and stationery.....		2.63
Safety deposit box rental.....	12.00	12.00
Memberships.....	100.00	10.00
Salaries.....	600.00	600.00
Exchange and bank charges.....	47.18	269.61
Audit.....	165.00	75.00
Miscellaneous.....	79.93	66.29
Travelling expense.....	48.05	168.95
Telephone and telegraph.....	31.22	21.76
Interest on deposits.....	<u>15,624.24</u>	<u>31,899.05</u>
	<u>\$17,271.90</u>	<u>\$34,282.99</u>
NET REVENUE FROM OPERATIONS - Exhibit C.....	<u>\$ 4,210.09</u>	<u>\$ 3,516.11</u>



EXHIBIT C

CANADIAN CO-OPERATIVE CREDIT SOCIETY LIMITED

STATEMENT OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1961

(With comparative figures for the previous year)

	<u>1961</u>	<u>1960</u>
SURPLUS AT THE BEGINNING OF THE YEAR.....	\$ (263.40)	\$1,066.63
Add - Net revenue for the year.....	4,210.09	3,516.11
Decrease in reserve for investments.....	<u>1,259.57</u>	
	<u>5,206.26</u>	<u>4,582.74</u>
Deduct - Increase in reserve for investments.....		4,142.92
Increase in Guarantee Fund.....	<u>842.01</u>	<u>703.22</u>
Total deductions.....	<u>842.01</u>	<u>4,846.14</u>
SURPLUS AT END OF THE YEAR - Exhibit A.....	<u>\$4,364.25</u>	<u>\$ (263.40)</u>



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SCHEDULE 1

CANADIAN CO-OPERATIVE CREDIT SOCIETY LIMITED

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1961

<u>INVESTMENT</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>PAR VALUE</u>	<u>AMORTIZED COST</u>	<u>MARKET VALUE</u>
Canadian Government Bonds..	Oct. 1/79	3 1/4%	\$ 50,000.00	\$ 50,000.00	\$ 41,000.00
Province of Ontario Bonds..	Nov. 15/69	2 3/4%	25,000.00	24,479.68	22,250.00
Province of Saskatchewan Debentures.....	Oct. 1/75	3 1/2%	3,000.00	2,971.52	2,520.00
Province of New Brunswick Debentures.....	Oct. 15/65	2 3/4%	10,000.00	9,787.91	9,500.00
Province of Quebec Debentures.....	July 1/69	3%	25,000.00	24,677.69	22,250.00
Province of Nova Scotia Debentures.....	Jan. 15/62	2%	10,000.00	10,000.00	10,000.00
Province of Saskatchewan Bond.....	Mar. 15/71	5%	10,000.00	10,000.00	10,000.00
TOTAL - Exhibit A.....			<u>\$133,000.00</u>	<u>\$131,916.20</u>	<u>\$117,520.00</u>



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SCHEDULE 21

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 21

TO BRIEF OF B. C. C. CENTRAL CREDIT UNION

LIQUIDITY HISTORY OF B. C. C. CENTRAL CREDIT UNION AND RECORD OF BORROWINGS.

	LIQUIDITY RESERVE REQUIREMENTS (Co-op Credit Ass'n Act, Sec. 44 & 45)		ACTUAL BALANCES ON HAND		INVESTMENTS HYPOTHECATED (excluded from "Balance in Investments")	ACTUAL FUNDS	
	CASH	INVESTMENTS TOTAL	In CASH	In INVESTMENTS TOTAL		In excess of REQUIREMENTS	Short of REQUIREMENTS
March 31, 1955	148,632	445,896	315,849	766,785	1,082,634	488,106	86,443
June 30	142,583	427,749	278,165	205,724	483,889		41,907
Sept. 30	154,777	464,332	391,251	185,950	577,201	782,000	
Dec. 31	159,000	568,000	745,000	795,000	1,540,000		
Mar. 31, 1956	187,000	561,000	577,000	1,033,000	1,560,000	832,000	
June 30	182,000	547,000	359,000	441,000	800,000	72,000	
Sept. 30	193,000	579,000	354,000	735,000	1,089,000	317,000	
Dec. 31	248,403	745,211	852,770	1,303,264	2,156,034	1,162,420	
March 31, 1957	232,996	698,988	401,415	1,348,275	1,749,690	817,796	54,020
June 30	232,090	696,270	553,589	320,750	874,339	200,000	
Sept. 30	241,678	725,037	669,124	327,168	996,292	300,000	29,576
Dec. 31	291,527	874,572	892,779	477,935	1,370,714	204,615	
March 31, 1958	282,532	847,597	443,532	700,000	1,143,532	13,401	
June 30	296,810	890,430	627,010	750,000	1,377,010	189,770	
Sept. 30	325,528	976,584	521,654	815,000	1,336,654	34,542	
Dec. 31	364,751	1,094,253	1,070,429	1,525,987	2,596,416	1,137,412	



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	LIQUIDITY RESERVE REQUIREMENTS (Co-op Credit Ass'n Act, Sec. 44 & 45)		ACTUAL BALANCES ON HAND		INVESTMENTS HYPOTHECATED (excluded from "Balance in Investments")	ACTUAL FUNDS	
	CASH	INVESTMENTS	In CASH	In INVESTMENTS		In excess of REQUIREMENTS	Short of REQUIREMENTS
March 31, 1959	363,540	1,090,620	1,384,004	1,248,500	2,632,504	1,178,344	
June 30	335,814	1,007,442	1,079,188	551,560	1,630,749	287,492	
Sept. 30	331,558	994,675	1,056,580	675,673	1,732,254	406,020	
Dec. 31	371,368	1,114,105	1,130,869	759,285	1,890,154	403,681	
March 31, 1960	378,735	1,136,205	814,146	682,832	1,496,978		17,962
June 30	392,765	1,178,294	1,061,844	713,877	1,775,721	204,662	
Sept. 30	401,435	1,204,305	832,239	719,199	1,551,438		54,302
Dec. 31	481,291	1,443,874	1,531,296	1,420,926	2,952,222	1,027,057	
March 31, 1961	510,879	1,532,638	1,016,257	2,689,770	3,706,027	1,662,510	
June 30	479,825	1,439,475	752,248	1,730,705	2,482,953	563,653	
Sept. 30	544,007	1,632,021	1,003,927	1,374,516	2,378,543	202,515	
Dec. 31	604,031	1,813,894	2,099,496	1,947,114	4,046,610	1,628,085	

(Dec. 31, 1961 Figures subject to year-end audit)



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SCHEDULE 21

	ACTUAL FUNDS		MAXIMUM BORROWINGS PERMITTED	ACTUAL BORROWINGS		UNUSED BORROWING PERMISSION
	In excess of REQUIREMENTS	Short of REQUIREMENTS		From BANKS	from CANADIAN CO-OP. CREDIT SOC.	
March 31, 1955	488,106		3,866,210	2,972,651		* 793,559
June 30		86,443	4,500,000	2,852,000		1,048,000
Sept. 30		41,907	4,854,607	3,095,544		1,249,062
Dec. 31	782,000		5,004,000	3,790,000		1,214,000
March 31, 1956	832,000		5,303,000	3,738,000		1,565,000
June 30	72,000		6,985,000	3,646,000	420,000	2,919,000
Sept. 30	317,000		8,210,000	3,862,000	235,000	4,113,000
Dec. 31	1,162,420		8,196,173	4,968,072		3,228,101
March 31, 1957	817,796		7,677,975	4,659,924		3,018,051
June 30		54,020	7,287,507	4,641,800	200,000	880,706
Sept. 30	29,576		7,900,926	4,833,574	300,000	782,351
Dec. 31	204,615		8,174,146	5,830,547	250,000	773,052
March 31, 1958	13,401		8,910,540	5,650,653	350,000	2,604,887
June 30	189,770		10,246,360	5,936,210	350,000	2,790,150
Sept. 30	34,542		10,167,137	6,520,147	165,000	2,921,989
Dec. 31	1,137,412		9,649,298	7,295,024	59,731	2,294,533
March 31, 1959	1,178,344		10,581,160	7,270,785	20,000	3,110,375
June 30	287,492		11,850,247	6,739,215	500,000	3,461,031
Sept. 30	406,020		11,818,292	6,646,750	450,000	1,785,697
Dec. 31	403,681		11,223,410	7,427,373	428,000	1,443,037
March 31, 1960		17,962	12,416,850	7,574,702	550,000	2,967,148
June 30	204,662		13,824,120	7,855,292	500,000	3,733,828
Sept. 30		54,302	13,816,400	8,024,698	775,000	3,216,702
Dec. 31	1,027,057		13,138,850	9,625,828		2,988,022



SCHEDULE 21

	ACTUAL FUNDS		MAXIMUM BORROWINGS PERMITTED	DEPOSITS	ACTUAL BORROWINGS		UNUSED BORROWING PERMISSION *
	In excess of REQUIREMENTS	Short of REQUIREMENTS			From BANKS	From CANADIAN CO-OP. CREDIT SOC.	
March 31, 1961	1,662,510		14,963,500	10,217,590			4,745,910
June 30	563,653		15,711,300	9,596,505	741,000		5,373,795
Sept. 30	202,515		16,133,910	10,880,142	1,466,000	800,000	2,987,768
Dec. 31	1,628,085		16,052,060	12,092,624		300,000	3,659,436
(Dec. 31, 1961 Figures subject to year-end audit)							

* Liquidity expressed as borrowings permitted by Act but not used, can be increased by amount of borrowings from Canadian Co-operative Credit Society Ltd. These borrowings are fully secured by bonds. A sale of the bonds with the consequent reduction in actual borrowings (proceeds being used to pay off Canadian Co-operative Credit Society) would have the effect of increasing our ability to borrow and so would mean increases in certain totals shown in "Unused Borrowing Permission".



SCHEDULE 23

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 23TO BRIEF OF B.C. CENTRAL CREDIT UNIONA SUMMARY OF THE DEVELOPMENT AND EXTENT OF
"CHEQUING" SERVICES

Pressure by members of credit unions in British Columbia, partly arising from experiences in other provinces, stimulated the development of a type of cash withdrawal service before 1948. This service was the predecessor of Secondary Chequing and, starting in 1948 those credit unions providing this withdrawal service gradually changed over to the Secondary Chequing. The first to make a special arrangement with a chartered bank was B. C. Central Credit Union, (this was called the primary service, involving Central and its member credit unions) and the other, Prince Rupert Fishermen's Credit Union for its individual members (and called Secondary Chequing involving the individual credit union and its members). It was not until 1951 that a general arrangement was made through Central for a secondary plan for credit unions. By 1955, 20 credit unions were providing this service and the volume of business done, together with Central's Primary Service, amounted to a monthly turnover of 6 to 7 million dollars (3 to 3½ million in deposits and the same in withdrawals.) By 1959 there were 55 credit unions providing this service and by December, 1961 almost 70 credit unions. In January, 1959 Central cleared 27,000 credit union orders amounting to about \$9,000,000.00 which by January, 1962 had grown to 66,000 orders for \$13,000,000.00.

Involved in the new Centralized Clearing Plan (a copy of which forms part of Schedule 24 hereto) is the sorting of bank cheques and Government of Canada items such as money orders, postal notes, pension cheques, etc. Following are the statistics of bank and government items sorted and cleared to



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SCHEDULE 23

the principal offices in Vancouver of the chartered banks,
being those items going through Central's Vancouver office
only.

	<u>Bank & Government Items</u>		<u>Postal Orders Only</u>		<u>Government Card & Paper Cheques</u>
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>Value</u>
Oct/61	54,335	\$7,720,072.00	4925	\$151,750.00	\$432,311.00
Nov/61	53,224	7,776,319.00	5083	147,559.00	384,585.00
Dec/61	55,395	8,053,089.00	4633	131,347.00	453,222.00
Jan/62	48,703	6,446,992.00	4641	127,059.00	328,042.00



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ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 24TO BRIEF OF B.C. CENTRAL CREDIT UNION

AN EXPLANATORY HISTORY OF THE DEVELOPMENT OF CLEARING
ARRANGEMENTS, THE CHANGES WHICH TOOK PLACE IN 1959,
RATE CHANGES AND THE MANNER IN WHICH THE SYSTEM WORKS

PART I

Prior to 1959 a personal or secondary chequing service for a credit union and its members was obtained by application to a particular bank. Upon approval the cheque or order form to be used was identified by having printed upon it the particular bank's clearing number. Service charges against accounts maintained with the banks were at the then current rates with the exception that the charge for secondary orders was 2¢ each, not the standard cost for individual charges against a bank's client's account; the argument for the lesser charge being that none of the responsibilities of forgery, dating, endorsement, etc. were required of the bank and in addition the orders could be listed for simplification of posting. As much centralization of handling of credit union orders and of bank cheques as could be conveniently done was undertaken by Central on behalf of itself and its members.

The new program of "Centralized Clearing" as worked out with the Canadian Bankers Association and as made effective January 2, 1959, (a copy of this plan is attached as Part II of this Schedule) recognized and made more effective this centralization which Central was doing. It did not though provide for any reciprocal charge for the clearing and sorting work done by Central for the banks. This involves sorting and listing of bank cheques, sorting and listing of all types of Government of Canada cheques, including post office money orders. In fact, in B. C. we do not get credit for the depositing of Canada items until the following day.

The 1959 "Clearing Plan" requires that the credit unions pay the banks 2½¢ in some cases (with certain allowances for fee balances), and 5¢ in others (plus certain percentages)



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for taking on deposit from us their own cheques (see Section 12 of Clearing Plan attached.) Also required is that the credit unions pay the bank 5¢ for each credit union order charged to its account (Section 7 of Clearing Plan) and in addition 2½¢ for each credit union order with certain exceptions as set out in Section 17 of the Clearing Plan.

As between banks, certain reciprocal arrangements prevail in the matter of exchange at non-competitive points. This "Clearing Plan" does not provide for any such arrangement and in fact the practice of the bank is to charge maximum (non-competitive) exchange rates on credit union orders in spite of the fact that Central is required to maintain an account with the main branch in B. C. of each chartered bank and as a result the order upon which exchange is charged stays within the particular bank's own system.

The "Clearing Plan" also introduced a schedule of charges for supply cash. This is set out in Section 19.

In the course of discussion seeking agreement on charges etc. it was felt that regular meetings could profitably be held between the special committee of the Canadian Bankers Association and representatives of credit unions operating under the "Clearing Plan Schedule B." One such meeting early in 1961 was held at which time requests were made by the credit union representatives for some changes. These concerned:

1. Exchanges Charges

2. Delayed Posting. The bank hands over the credit union clearing each day but, in nearly all cases, charges the amount of the clearing under the previous day's date. This has the effect of reducing the credit union's deposit account balance with the bank without the credit union having the opportunity of making any adjustment by way of offsetting deposits.

3. Dealing with one bank. This would simplify the problem of pick up and delivery of each other's items, both phases having to be done by the credit union.



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4. Alternative method of settlement at local points.

Two methods of settlement at local points are set out in Schedule B, both require an account to be maintained at the local point. A special "Clearing Plan" for the Province of Quebec allows of settlement at local points by means of a settlement voucher upon the Central Credit Union each day.

5. Additional clearing points in each province. The city in each province in which is situated the Bank of Canada is the only clearing point the agreement provides for.

No agreement or change arising out of these requests came out of that meeting, nor was there any indication by the banks of any intention to reduce some of their charges when the credit union representatives showed them figures indicating the volume of work done by the Centrals which tended to considerably relieve the banks of some of their handling costs.



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PART II

SCHEDULE "B"

CLEARING PRIVILEGES

CREDIT UNIONS (INCLUDING CAISSES POPULAIRES
OUTSIDE THE PROVINCE OF QUEBEC

CENTRALIZED CLEARING PLAN

1. Arrangements may be made between a member union and the Central for the clearing of orders and cheques through the Central in accordance with this schedule (herein called "the centralized clearing plan").

2. This schedule applies to credit unions, including central credit unions, in any province and to caisses populaires outside the Province of Quebec, that permit the issuance of orders on them by their members and are in a centralized clearing plan. If a credit union has not joined a centralized clearing plan Schedule "A" applies.

3. (a) In this schedule, the term "credit union" means any organization referred to in 2 above, "Central" means a central credit union, "member union" means a credit union affiliated with the Central, "branch" means a branch or agency of a bank but does not include a sub branch, "local" means within the local clearing area, and "outside points" means places outside the local clearing area.

(b) "Order" means an order drawn on a credit union. Orders are not cheques as defined in the Bills of Exchange Act.

(c) "Clearing privilege" means the privilege of having orders drawn on a credit union by its members and cheques negotiated by a credit union for its members cleared through the clearing facilities provided by the banks.

Orders on Credit Unions

4. A clearing privilege for orders shall not be granted without the approval of the General Manager of each bank concerned and may be granted only on the terms and



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conditions stipulated in this schedule.

5. (a) Orders drawn on credit unions shall bear the following marking at the right end of the order in the space above the amount:

(Name of
city)

indicating the clearing point at which settlement will be made for orders negotiated by the banks, but orders shall not bear the name of a bank. Settlement for orders will be made by one Central at the Bank of Canada settlement point indicated below (herein called "the clearing point"):

<u>Orders on Credit Unions in</u>	<u>Clearing Point</u>
British Columbia.....	Vancouver
Alberta.....	Calgary
Saskatchewan.....	Regina
Manitoba.....	Winnipeg
Ontario.....	Toronto
New Brunswick.....	Saint John
Nova Scotia.....	Halifax

6. The Central will conduct with the main branch of each bank at the clearing point a current account to which the orders will be charged. Orders negotiated by banks will be sent to the clearing point.

Exception - At points other than clearing points, orders negotiated locally drawn on a local credit union will be cleared through the local bank with which it conducts an account or with which the Central conducts an account, to which the orders will be charged.

7. The credit union will pay a clearing fee of 5¢ for each order charged to its account with a bank. The clearing fee will be collected by the bank charging the orders to the account.

8. Banks will not grant a par crossing privilege for orders or recognize the par crossings on orders crossed negotiable without charge at the office of a credit union.

9. The credit union will have orders on it printed at its expense on its own paper (not the bank's safety paper.)

Dishonoured Orders

10. (a) On each banking day the Central or member union will take delivery at the bank of orders charged to its



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account. The Central will forward the orders without delay to the member unions on which they are drawn. The latter will return to the Central on day of receipt any orders which are unpaid. The Central will return the unpaid orders to the clearing bank not later than 12 noon of the business day following the day of receipt of the unpaid orders by it.

(b) Orders on a member union cleared to it will be considered as paid unless returned to the bank by 2:30 p.m. on day of receipt by the member union.

11. (a) The Central or member union will pay the bank a charge of 25¢ with respect to each order which is returned "N.S.F."

(b) Each "N.S.F." order shall be stamped as follows by the branch to which it is returned by the Central or member union:

Pursuant to clearing rules this item may not be cleared again unless certified.

Cheques and Other Items Clearable through Banks

12. Cheques on banks, government cheques, government and other bonds and coupons and other items clearable through a bank which are negotiated by member unions will not be deposited in local branches. Such items will be sent to the Central and deposited in the main branches of the banks. Wherever possible, the Central will deposit in the main branch of each bank all cheques on branches of that bank.

Exception - At points other than clearing points, cheques negotiated locally drawn on accounts at local banks and grain or creamery tickets may be deposited in the local branch with which the credit union or Central conducts an account.

13. For the clearing of cheques and other items deposited by the Central the following rates shall apply:

- (a) Cheques issued by the Government of Canada or the province in which the branch is located.....No charge.
- (b) Cheques drawn on accounts at the branch where they are deposited.....No charge.
- (c) Grain and creamery tickets.....No charge.



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(d) Local clearing items (cheques drawn on or payable at other local branches or banks, including cheques on outside points crossed negotiable without charge locally)..... $2\frac{1}{2}\phi$ each after allowing 4 free items for each \$50 of minimum monthly credit balance in the current account.

(e) Cheques on outside points:

Up to \$5,000 each..... 5ϕ each plus $1/10\%$ on daily total.
Over \$5,000 each..... $1/16\%$, min.
\$5 on each item.

(f) Coupons.....Regular rates, viz:

Up to \$2,000..... $1/4\%$, min.
\$.25 - for coupons of each issuer or debtor.
Over \$2,000..... $1/8\%$, min.
\$5.00 - for coupons of each issuer or debtor.

(g) Bonds.....Regular rates

14. (a) Cheques and other items shall be sorted and listed by the Central in the manner most convenient to the bank for purposes of clearing.

(b) Government of Canada cheques shall be endorsed by the Central with a suitable rubber stamp showing the date and the endorsement of both the Central and the clearing bank. Government of Canada coupons shall be cancelled and redeemed Canada Savings Bonds endorsed as required by the Bank of Canada.

(c) The Central shall prepare Government of Canada cheques, coupons and bonds for clearing as required by the Bank of Canada in the same manner as required of bank branches. i.e., card cheques, coupons and redeemed Canada Savings Bonds shall be sorted, listed and enclosed in the appropriate envelopes. The envelopes shall be sealed and shall show on the outside the name of the Central and the total amount of the items enclosed. The Central shall undertake to make good any errors reported by the Bank of Canada and shall pay the clearing bank a fee of \$1.00 for each error to cover the cost of adjusting. It shall also undertake to reimburse



SCHEDULE 24

the clearing bank for any items lost in transit between the Bank of Canada local agency and the Bank of Canada, Ottawa, for which the clearing bank is required to reimburse the Bank of Canada.

Accounts of Centrals - Service Charges

15. No service charges will be applied to current accounts of a Central at main branches at a clearing point.

Accounts of Member Unions - Service Charges

16. For the clearing of the following items deposited by a member union the following rates shall apply:

- (a) Cheques drawn on accounts at the branch where they are deposited.....No charge.
- (b) Grain and creamery tickets....No charge.
- (c) Coupons and bonds of a local issuer or debtor, payable at the branch where they are deposited.....No charge.
- (d) Local clearing items (cheques drawn on accounts at other local branches or banks).....~~2 1/2~~¢ each as calculated in 17 below.

17. Current accounts of member unions shall in every case be subject to service charges of 10¢ per entry (debit or credit) after allowing one free entry for each \$50 of minimum monthly balance. A record of the number of the following items will be kept by the bank:

Orders charged to the account (whether posted separately or listed and charged in a total)

Local clearing items deposited (see 16(d) above)

and each 4 of these items will be counted as one entry for purposes of applying service charges.

(The effect of the foregoing is a charge of 10¢ per entry, ~~2 1/2~~¢ per order and ~~2 1/2~~¢ for each local clearing item, after allowing 1 free entry or 4 free orders or 4 free local clearing items for each \$50 of minimum monthly balance.)

18. Where a member union makes deposits in an account in the name of the Central, the account will be subject to the rates in 16 and 17 above.



SCHEDULE 24

Supplying of Cash

SUPPLYING OF CASH - AMENDMENT TO SECTION 19 SCHEDULE B

19. (a) Money parcels will not be prepared and despatched to a credit union on instructions of a Central. Currency and coin will only be supplied to credit unions at the branches where their accounts are carried and against cheques on their accounts. The following charges will apply:

Currency - 25¢ per \$1,000)

Coin - 50¢ per 100) plus cost of transportation and insurance

Exceptions

(1) There will be no charge for supplying currency or coin up to a total of \$5,000 currency and \$500 coin in any one month.

(2) There will be no transportation and insurance charge on currency or coin supplied which otherwise would have to be shipped to an outside point as surplus to branch requirements.

(3) At Bank of Canada agency points, the main office of the bank will not make a charge for supplying currency or coin but wherever possible the Central will arrange for a money transport company to take delivery at the Bank of Canada agency upon the order of the bank and will furnish the bank with suitable indemnification against errors.

Transfer of Funds

20. (a) Subject to (b) and (c) below, transfers of funds between accounts of credit unions will be effected by means of mail or telegraphic transfer or by deposit of a cheque or transfer form drawn on a bank (not by deposit of an order or transfer form drawn on a Central or member union.)

(b) Transfers of funds between accounts with banks at the same point will be effected by deposit of a cheque or transfer form certified by the drawee bank.

(c) Transfers of funds from the account of one Central to the account of another Central will be effected by means of mail or telegraphic transfer.

(d) Mail or telegraphic transfers will be subject to the following rates:



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Over	\$ 5,000 and under.....	1/10%, min. \$.50 each	
"	\$ 5,000 to \$ 10,000.....	1/16%, min. \$ 5.00	" Plus cost
"	\$ 10,000 to \$ 25,000.....	1/32%, min. \$ 6.25	" of message
"	\$ 25,000 to \$100,000.....	1/64%, min. \$ 7.85	" for tele-
"	\$100,000 to \$500,000.....	1/100%, min. \$15.65	" graphic
"	\$500,000.....	1/200%, min. \$50.00	" transfers.

(e) Transfers of funds by deposit of a cheque or transfer form drawn on a bank (whether crossed negotiable without charge or not) will be subject to the rates for cheques deposited.

Exceptions

21. Far Northern Points - The special rates on transactions with far northern branches shall apply in all cases.



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SCHEDULE 25

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 25

TO BRIEF OF B.C. CENTRAL CREDIT UNION

SAMPLING OF TIME OUTSTANDING AND EXTENT OF
NEGOTIATION OF SECONDARY ORDERS (CHEQUES) OF
VANCOUVER CITY SAVINGS CREDIT UNION FOR MONTH
OF JANUARY 1962

Time outstanding as measured between date of order and date of charging of order against member's deposit account. (It was noted that many orders negotiated in early January had been dated during Christmas holiday period but were not negotiated until after January 2nd.)

	<u>Number of Orders</u>	<u>Value of Orders</u>
Up to 5 days	1362	\$186,490.67
6 " 10 "	1015	115,463.17
11 " 12 "	129	11,580.80
13 "	49	2,903.79
14 "	33	835.78
15 " 19 "	94	5,769.46
20 " 30 "	60	2,613.77
31 " 40 "	12	257.99
over 40 "	19	410.88
	<u>2773</u>	<u>\$326,326.31</u>

Number of endorsements on above orders negotiated by banks. Shown separately number of orders negotiated directly through B. C. Central between accounts of member organizations.

	<u>Number</u>	<u>Amount</u>
Endorsed by payee only and cleared through bank	2345	\$247,473.33
Endorsed twice before clearing through bank	242	23,105.44
Endorsed three times before clearing through bank	10	1,161.11
Handled by Central directly, no clearing through bank	176	54,586.43
	<u>2773</u>	<u>\$326,326.31</u>



SCHEDULE 26

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 26TO BRIEF OF B. C. CENTRAL CREDIT UNIONLOSSES ON LOANS TO MEMBERS SINCE INCORPORATION AND
RELATIONSHIP OF BAD DEBTS TO GUARANTEE RESERVES.

	<u>LOANS OUTSTANDING</u>	<u>UNAPPROPRIATED RESERVES</u>	<u>LOANS IN DEFAULT</u>
31, December 1961	9,421,439.07	258,909.46	16,970.96
Percentage of outstand- ing Loans	100%	2.75%	.18%
Reserve Balance to Loans in Default			15½ times
Loans since Incorporation			77,193,988.38
Loans written-off		12,739.76	
Loans in Default		<u>16,970.96</u>	<u>29,710.72</u>
Percentage of Total to Loans Granted			4/100 of 1%

ROYAL COMMISSION ON BANKING AND FINANCESCHEDULE 27TO BRIEF OF B. C. CENTRAL CREDIT UNION .LOANS TO MEMBERS ILLUSTRATING LARGE PORTION BORROWED BY CREDIT UNIONSAND DEGREE OF FLUCTUATION, SHOWING ALSO EFFECT OF LOAN TOPRINCE RUPERT FISHERMEN'S CO-OPERATIVE ASSOCIATION.CO-OPERATIVES

DATE	CREDIT UNIONS	PRINCE RUPERT		TOTAL
		FISHERMEN'S	OTHERS	
1956				
31 Dec.	2,653,575.48	300,000.00	572,573.43	3,526,148.91
1957				
31 Mar.	2,684,222.88	301,030.81	598,422.52	3,584,676.21
30 June	4,320,582.48	533,843.66	556,795.07	5,411,221.21
30 Sep.	4,625,509.03	741,588.80	610,236.97	5,977,334.80
31 Dec.	4,519,693.81	738,802.76	713,212.55	5,971,709.12
1958				
31 Mar.	4,517,239.41	212,013.53	441,568.21	5,170,821.15
30 June	4,954,566.67	320,471.66	940,217.78	6,215,256.11
30 Sep.	4,893,021.97	632,341.45	944,784.30	6,470,147.72
31 Dec.	3,982,437.94	492,563.90	906,722.90	5,381,724.74
1959				
31 Mar.	3,671,641.05	650,000.00	1,168,490.15	5,490,131.20
30 June	5,367,847.75	350,000.00	1,307,963.30	7,025,811.05
30 Sep.	6,170,739.13	250,000.00	2,113,448.02	8,534,187.15
31 Dec.	5,423,942.44	1,000,000.00	1,528,430.21	7,952,372.65
1960				
31 Mar.	5,284,823.88	650,000.00	2,171,525.16	8,106,349.04
30 June	6,410,844.19	300,000.00	1,963,676.84	8,674,521.03
30 Sep.	6,298,466.37	500,000.00	2,469,336.03	9,267,802.40
31 Dec.	5,528,982.75	750,000.00	1,686,103.67	7,965,086.42
1961				
31 Mar.	6,390,757.34	500,000.00	1,631,784.92	8,522,542.26
30 June	6,846,682.80	200,000.00	1,946,279.28	8,992,962.08
30 Sep.	8,179,166.60	900,000.00	2,125,480.27	11,204,646.87
31 Dec.	6,805,603.47	1,000,000.00	1,615,835.60	9,421,439.07



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SCHEDULE 29

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 29

TO BRIEF OF B. C. CENTRAL CREDIT UNION

MONTHLY BORROWINGS BY INDIVIDUAL CREDIT UNIONS IN 1960

CREDIT UNION	1960	Jan	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Powell River		140,000	135,000	130,000	120,000	105,000	102,500	97,000	80,000	78,000	70,000	65,000	55,000
Van. Federal Emp.		60,000	71,000	50,000	79,000	107,000	206,000	206,000	203,000	190,000	161,000	133,000	185,000
Kelowna & District		118,000	116,000	114,000	150,000	164,000	158,500	153,000	147,500	122,000	71,500	46,000	40,500
Oliver		19,000	22,000	6,000	15,000	18,500	18,500	23,000	26,000	36,000	15,500	2,000	
Campbell River Dist		30,000	34,000	34,000	34,000	24,000	38,000	38,000	74,000	74,500	60,000	20,000	52,000
New Masset								9,000		2,500	2,500	3,000	3,000
Q.C.I. Central									2,500	1,475			2,000
Prince Rupert Fish.				274,000	301,000	406,000	481,000	458,000	360,000	445,000	426,000	528,000	627,000
Stry		12,000		9,000	27,000	4,000	15,000	22,000	25,000	14,000	47,000		12,000
Rosary		26,000	28,000	28,000	28,000	28,000	26,000	24,000	24,500	24,500	22,500	24,500	21,500
Van. Prov. Civil Serv		5,995	1,325	13,500	8,100	9,185	12,770	19,355	15,940	15,585	15,110	23,000	16,000
Equitable								1,000	4,000	2,000	1,000	4,000	
Van. District Danish		26,000	8,000	7,000	17,000	6,000	11,000	5,000	4,000				
St. Helen's Parish			2,000	4,000	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Westminster Paper Emp.		500											
Other District		5,700	5,450	5,200	5,600	5,350	5,350	6,200	5,950	5,700	5,450	5,450	5,200
B.C. Projectionists													
Gulf & Fraser Fish		90,000	111,000	312,000	312,000	275,000	250,000	200,000	135,000	100,000	75,000	50,000	90,000
Vancouver Converters		8,000	9,500	9,600	11,600	11,600	8,500	5,500	8,000	4,500	4,500	4,500	2,500
Fed. Civil Serv. of N.W.		3,500	3,000				6,000	5,500	9,200	8,400	7,600	12,800	7,000
Quadra			7,000	3,000	8,000	10,000	8,500	10,000	8,000	9,500	7,000	6,000	11,000
Alert Bay		500				2,000	1,500	5,000	8,000	7,350	6,700	6,550	1,040
Alberni District		294,600	239,000	245,000	245,000	206,400	198,480	241,560	278,640	350,000	375,000	405,300	433,300
Bulkley Valley		7,800	6,000	6,000	6,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Bella Coola Valley		9,000	8,000	7,000	6,000	5,000	4,000	3,000	2,000	1,000			
North Shore Community		96,000	96,000	61,000	61,000		29,000	36,000	38,000	38,000	8,000		



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CREDIT UNION	1960	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
North Kamloops		67,000	64,000	61,000	61,000	70,000	72,250	71,500	70,750	100,000	64,000	48,000	42,000
Hornby Island			500	1,500	6,000	9,300	9,000	8,700	8,400	6,600	5,300	6,000	6,700
Rossland		246,000	246,000	246,000	246,000	246,000	250,000	250,000	250,000	250,000	250,000	238,000	226,000
Armstrong & Spallum.		3,500			1,000		5,000	12,000	4,000				
B.C.T.F.		110,000	90,000		39,500	39,500	54,500	54,500	135,000	245,000	195,000	135,000	55,000
Elco		9,000	14,000	14,000	39,500		54,500		65,000	50,000	35,000	26,000	15,000
Okanagan Falls & Dist.				3,000	4,000	4,000	6,000	8,000	8,000	8,000	8,000	4,000	4,000
P.P.M.H.E.		168,000	165,000	161,000	169,000	163,000	157,000	153,000	147,000	142,000	147,000	139,000	139,000
Kamloops District Sav.						4,500	15,500	20,000	30,000	34,500	34,500	37,000	25,000
Fanny Bay Community				1,000									
Penitentiary Empl.		27,000	26,000	25,000	28,000	27,500	27,000	27,000	26,000	23,700	23,200	21,000	26,900
Mt. Lehman		2,500	1,250		5,000	4,550	4,100	3,200	2,750	2,300	1,850	6,400	5,850
C.N.R.E.					2,000	6,500	8,000	5,500	11,500	7,500	2,000		
Electrical Trades		7,500	7,500	6,500	12,000	12,000	6,500	6,000	6,000	4,500	4,500		
Trail		370,000	350,000	456,000	460,000	565,000	605,000	565,000	605,000	605,000	515,000	475,000	501,000
Fruitvale Progressive		115,000	111,250	127,500	122,500	117,500	127,500	125,500	117,500	112,500	107,500	124,000	119,000
V. S. B.							20,000	16,400	14,800	13,200	11,600	5,000	3,400
"VR"		8,000	8,000	8,000	7,000	7,000	8,000	10,000	10,000	9,800	9,600	9,400	9,200
Dairyland Employees		13,000			2,000		6,000	2,000	5,000				
Nepro		15,000	5,000	15,000	16,000	17,000	18,000	18,000	23,000	27,500	17,000	11,000	11,000
Lake View		711,000	681,000	651,000	570,000	675,000	645,000	615,000	585,000	555,000	525,000	495,000	607,000
Vivian Employees					2,500	2,500	7,500	8,000	6,000	8,000	12,000	10,600	9,200
South Burnaby													
Courtney													
Skidegate Inlet													
Vancouver Firefighters													
Van-Tel													
Burns-Shamrock													
St. Patrick's													
Roberts Creek													
Sullivan Concentrator													
Buckerfield's													
Field													
N. W. C. E.		37,000	23,000	19,000	19,000	3,000				1,700			

1,700

SCHEDULE 29

SCHEDULE 29													
CREDIT UNION	1960	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Edelweiss		14,000	2,000		5,000	4,000	9,000	9,000					1,000
Ridgedale		3,500		1,000	4,000	3,000	2,500	4,000					
Evco Employees				2,000	2,500	3,500	3,500	3,000					
Union Bay													
W. S. Savings		19,000	15,000	18,000	15,000	10,000	25,000	20,000	40,000	34,000	30,000	20,000	24,000
Ladysmith & Dist.		7,500	9,050	9,000	9,000	12,000	13,000	8,000	5,000	5,000	3,000		
W. A. & W. S.		140,000	140,000	140,000	140,000	170,000	186,000	176,000	185,000	180,000	170,000	157,000	140,000
Civic Employees		7,000	8,000			2,000	10,000	26,000	62,000	62,000	57,000	44,000	68,000
Squamish													
West Vancouver		8,000	5,000	5,000	6,000	7,000	10,000	8,000	7,000	7,000	7,000	4,000	1,000
S. H. C.		800	700	600	500	400	300	200	100				
Fernon & District						12,000	16,000	14,500					
Sumner & District		178,000	173,000	218,000	219,000	214,000	274,000	274,000	264,000	264,000	254,000	244,000	234,000
Keremeos & District		2,000	1,700	2,000	2,500	4,500	4,500	4,500	4,000	2,000	2,000	2,000	
Neilsen Railway Emp.		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	10,000
Sheet Metal									1,000				
Westminster		30,000	25,000	20,000	40,000	38,000	33,000	28,000					
Iowan		2,000	2,500	4,000	8,000	6,000	8,500	7,500	7,000	4,500			
Kimberley		96,000	46,000	23,000	13,000			7,000	7,000				
V.P.		66,000	65,000	74,000	80,000	87,000	93,000	91,000	99,000	99,000	96,500	100,000	97,500
Kaiser Consumers		84,000	73,000	55,000	16,000	12,000	38,000	24,000		15,000	7,000	53,000	98,000
Grindrod & District		7,000	6,000	8,250	9,000	8,250	9,600	8,800	8,000	10,200	9,350	8,500	10,200
Terrace & Community		25,000	5,000	5,000								30,000	53,000
Langley		4,800	4,200	3,600	3,000	2,400	7,150	6,500	5,850	5,200	4,550	7,150	6,500
M. P. W.													
Van Pro		3,800	2,700	4,700	10,200	10,100	15,500	16,900	12,800	8,800	6,200	5,000	
J.B.H. & C.					10,500	14,500	9,500	9,500	4,500				
Iadner		39,000	40,000	47,000	48,000	60,000	60,000	60,000	44,000	40,000	35,000	23,000	8,000
Osoyoos		46,000	46,000	46,000	68,000	84,000	89,000	80,000	53,000	20,000	24,000	5,000	
Nanaimo & District		92,000	114,000	84,000	93,000	96,000	87,000	87,000	89,000	113,000	106,000	110,000	97,000
C.E.R. & S.		35,000	35,000	37,000	41,000	51,000	63,000	63,000	63,000	63,000	50,000	50,000	40,000
Caisse Pop. de Maillard.													
Dis. of Coquitlam		960	720	480				2,000	2,000	2,000	1,500	1,500	1,000
Salmon Arm Savings		23,600	23,200	22,800	22,400	29,400	28,600	34,600	37,600	37,600	36,100	41,100	39,100
M. S. A.													



SCHEDULE 29

	1960	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CREDIT UNION													
Mt. Pleasant Br. 177		21,000	21,000	21,000	21,000	26,000	39,000	39,000	39,000	39,000	39,000	40,000	55,000
Ocean Falls										5,500			
Vanc. City Savings		255,000	242,000	222,000	165,000	140,000	200,000	218,000	170,000	120,000	50,000		100,000
Prince George & Dist		100,000	100,000	100,000	90,000	100,000	100,000	100,000	127,000	127,000	127,000	127,000	127,000
Meridian Savings		9,000	4,500	4,500	4,500	4,500		2,000	2,000	2,000	2,000		
Canadian Legion Br.2									4,000	8,000	5,000	14,000	10,000
Penticton & District					11,500	11,500	11,500	1,000					3,000
North Peace Savings													
Pender Harbour			5,000	5,000	5,000	3,000	3,000						
Cordage				1,000	900	800	700						
Maple Ridge Community		24,500	23,200	35,000	35,000	33,400	31,800	30,200	28,600	27,000	25,400	23,800	22,200
Needle Trades Savings		2,800	2,800	1,800	1,800	1,800	2,800	2,800	2,200	2,300	2,300	1,500	1,900
Surrey		5,000											
Enderby & District		1,000	800	600	5,600	5,100	4,600	4,100	3,600	4,600	4,600	4,100	3,100
Hope & District													
I.W.A.#1-217 Savings		9,000	15,000	12,000	12,000	2,000	6,000						
Chemainus & Eistrict		63,500	66,000	64,500	61,000	59,500	69,000	67,500	70,000	69,500	68,000	66,500	65,000
B.C.S.R. Savings			3,000	6,000	14,000	14,000	15,000	5,000	6,000				
Canadian Legion Br.16		2,000	1,500	1,500	500	1,000	13,000	16,000	23,000	21,000	21,000	22,000	19,500
Oyster Bay					500		1,500	1,000					
B.R.C.F.													
Lakes District		9,200	8,800	8,400	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
La Cai.Pop.St Sacrement		35,000	35,500	37,000	52,000	55,000	47,000	52,000	53,000	55,000	57,000	50,000	38,000
Castlegar Savings		33,000	23,000	17,000	17,000	19,000	28,000	37,000	39,000	39,000	39,000	39,000	40,000
Richmond Savings		50,000	50,000	30,000	20,000	20,000	10,000	7,000	2,000	18,000	4,000		
Kenworth Employees								2,000					
Lochdale Savings			1,000							1,000	1,500		
Sointula						4,000	4,000	4,000	4,500	4,500	4,500	4,500	
B.C.D.T.		1,000	2,000	2,200	2,400	2,400	3,400	2,800	1,700				
Gorbel		1,700	1,700	2,500	2,500	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Van Sun													
North Shuswap			2,000	2,000	2,000	3,700	3,700	2,400	25,000	25,000	25,000	20,500	19,500
Abbotsford		36,500	43,500	43,500	32,500	31,500	30,500	29,500	1,250	1,100	950		
Nelson P.G.E.									28,500	25,500	22,500		



SCHEDULE 29

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CREDIT UNION												
V. A. W.	5,000	4,000	5,500	7,000	8,000	8,000	8,000	12,000	11,600	11,200	10,800	8,400
Little Qualicum	10,000	13,000	17,000	10,000								
Grand Forks & Dist.	5,000		23,000	30,000	43,000	63,000	94,000	50,000	54,000	25,000		
City Hall & Hospital												
Ind. Meat Packers	4,500	4,500	3,700	3,300	2,900	2,900	2,900	2,500	2,500	2,500	2,500	
Bakovan				1,985	485	235	235		500	1,000		
Westbank	4,000	2,000	2,000	2,500							3,500	
Lake Cowichan & Dist.	36,000	34,750	33,500	32,250	31,000	29,750	28,500	27,250	26,000	25,000	55,000	52,500
Vancouver Machinists	20,000	19,000	18,000	13,000	13,000	16,000	16,000	15,000	15,000	12,000	10,000	15,000
Nechako Valley						8,000	8,000	8,000	8,000	8,000	8,000	8,000
Chilliwack Legion	9,000	7,500	6,000	12,000	12,000	11,000	10,000	15,000	13,500	12,000	10,500	9,000
Canadian Temple	7,350	6,700	14,700	19,700	17,700	15,700	15,700	13,700	17,700	17,700	13,700	11,700
Tappen & District					1,000	1,000	2,000	2,000	1,000			1,500
Vanc. Aviation Indust.												
Nelson Savings												
Woodfibre												
Brewery Employees												
Cranbrook Savings	25,000	25,750	26,250	25,250	30,350	29,450	28,550	34,550	33,350	32,150	30,950	29,750
Sacred Heart	4,000	4,000	4,000			4,000	1,500	3,500	9,500	16,000	16,000	16,000
Cumberland & Dist.						10,000	9,000	8,000	7,000	6,000	5,000	4,000
Mission City & Dist.												
Duncan & District	43,000	44,000	52,000	52,000	52,000	52,000	47,000	52,000	52,000	32,000	7,000	
Hungarian												
Kelly Douglas-Nabob					4,500	8,000	8,500	6,500	5,500	5,500	2,500	4,000
Sunnyside White Rock			7,500	7,375	9,125	8,850	7,575	6,300	6,525	6,750	5,475	5,200
Vanc. Safeway Emp.	62,000	62,000	60,000	51,000	51,000	50,000	50,000	40,000	25,000	10,000		
Fernie & District												
Creston & District	11,000	9,750	15,500	14,750	13,500	18,000	20,000	21,000	11,000	2,000		
Hollyburn	2,000	3,000	6,000	7,500	8,500	15,000	16,000	6,000	8,000			
Polish												
B.C. Chiropractic	500										3,000	3,000
Quesnel												
Palm Dairies	4,200	3,800	3,400	3,000	2,000	1,600	2,700	3,800	3,400	4,500	3,000	2,500



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SCHEDULE 29

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SCHEDULE 29

CREDIT UNION	1960	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Nalley Valley				1,800	1,600	2,000	1,200	1,000	800	600	400	200	
Ind. First Aid		3,500	1,250				5,000	6,000	7,000	7,000	8,700	8,300	8,900
Eagle River													
Britannia													
T. P. & C.													
Grain Trade		7,100	6,800	6,500	8,000	7,750	7,500	9,000	10,650	10,300	9,950	12,400	11,950
Marwell Emp.		6,500	6,500	8,000	5,500	5,500	1,500	3,000	2,000			3,000	
Shingle Weavers		2,250	1,900	1,550	1,200								
Falkland & Dist.		800	730	660	590	520	450	2,000	1,825	1,650	1,475	1,300	1,125
Royal Inland													
East Chilliwack													
O.F.I.		20,000	17,000	19,000	11,000	9,000	9,000	9,000		1,000	10,000	10,000	5,000
Evergreen		3,500	3,500	1,000	3,000	2,000		1,000	500	1,500			
Compensation Emp.				2,000	2,000		5,500	9,000	9,000	9,500	11,000	14,000	14,000
Nanaimo Can. Legion							6,000	5,500	5,000	4,500	4,000	5,500	3,000
Kitimat & District		41,500	41,000	40,500	40,000	39,500	39,000	38,500					
Vancouver Deepsea		13,600	13,100	12,600	12,100	12,700	12,200	16,200	15,700	15,200	14,700	14,200	13,700
North Burnaby Leg.#148		500	400	300	200	1,500	1,300	1,100	860	700	400		
Al-Pine		625	500	1,875	3,250	3,325	6,500	6,200	5,900	5,600	5,300	5,000	4,700
Riandel		10,300	9,800	9,300	8,800	8,300	14,300	16,600	16,900	16,200	19,200	18,600	18,000
Mc & Mc		2,130	3,000	3,600	2,600	2,000	2,500	3,000	3,000	2,500	2,500	2,000	2,500
Arrow		500				3,500	2,500	2,000	1,500	1,000	1,000	500	
Pender Islands													
Holland		3,050	2,800	4,300	4,175	4,050	3,925	3,800	3,675	3,550	3,425	4,000	3,875
Royal Columbian													
Merc-Met		300	300	300	300	300	300	300					
Marpole					4,000	3,650	3,300	2,950	2,600	2,600	1,900	1,550	1,200
Chilliwack Federal Emp.					500	1,000	1,000		1,500	2,700	1,500	1,000	2,500
Fort Nelson		8,100	7,900	7,700	7,500	7,300	7,300	7,000	7,000	7,000	7,000	7,000	8,300
Our Lady of Good Counsel		6,400	6,200	7,000	7,600	5,400	7,200	7,000	6,800	4,800	4,800	4,800	4,800
Lumber Inspectors													
B.C. Distillery Emp.		6,800	6,400	6,000	5,600	5,200	7,200	7,100	6,500	8,400	7,700	7,000	5,300
Newton & District		900	800	700	600	500	400	300	200	100			

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July
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June
200
400

May
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600

Apr.
400
800

Mar.
1,000

Feb.
1,200

Jan.
1,400

1960

CREDIT UNIONS

West Saanich

Salt Spring Island

Raiffeisen Savings

Robin Hood

Vict. Brewery & Allied Workers.



SCHEDULE 30

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 30

TO BRIEF OF B.C. CENTRAL CREDIT UNION

A LIST OF B.C. CENTRAL CREDIT UNION'S ACTIVITIES
IN RECENT YEARS DESIGNED TO ENCOURAGE SOUND PRACTICES

There are various activities undertaken by Central, starting with those designed to increase the knowledge of (1) the Directors of Central itself; (2) the members of associated provincial organizations; and (3) Central's Directors in concert with Directors of credit unions in regional areas. A second set of activities is that built around the annual meeting when considerable time is spent in special phases of Central's operations with the delegates sent by credit unions to Central's Annual Meeting. A third set consists of special material and advices sent out by Central from time to time to credit unions, and the fourth, a new development now being undertaken, is the setting up of a 3-year correspondence course.

Among the activities for increasing Directors' knowledge have been one and two day weekend sessions with University personnel on such matters as the function and development of the Bank of Canada and the operations of the money market, and the present development of economic thought. These seminars sometimes involve Directors of the B. C. Credit Union League (the promotional, educational body for credit unions) and are augmented by discussions held at Joint Directors' meeting of Central, the League and the Health Society, as well as others. These joint sessions study particular problems of the Credit Union Movement and of any one of the bodies participating.

Conference meetings of Central's Directors together with Directors of credit unions in a particular area, aside from studying special local problems, set out sound loaning programs, sound conservative borrowing programs, the need for and value of a high degree of liquidity, problems involved in



SCHEDULE 30

secondary or personal chequing, delinquency and loan collection, and values of certain kinds of security for loans. To date four of these area programs have been undertaken.

Central's annual meeting time might also be considered a type of area meeting, on a larger scale. These meetings are used as opportunities (1) to teach the reading and understanding of financial statements; (2) to teach and discuss together the proper accounting, methods of handling and the legal and other problems involved in "chequing services"; and (3) to advise on problems which can arise when economic conditions tend to be strongly inflationary or strongly deflationary. As an example, the Directors' Report presented in June, 1956 encouraged credit unions to maintain a conservative loaning policy and a sound liquid reserve and to resist the increased pressure for loans arising out of the tight money position of the economy.

Central has made available to credit unions, when the need arises, a program to follow when most of their members are involved in a strike situation. This, as well as material dealing with problems entailed when money was tight, and encouragement of sound borrowing programs are some of the activities designed to help develop sound practices.

Direct reports to members have also included advice with respect to proper security measures for the protection of cash, accounting procedures for Reserve Board assessments, and advice on problems which can arise when individual member's holdings or borrowings with a credit union are out of line with the general size of the capital or loans of the credit union. Proper Board procedure and maintenance of minutes have also been among the items of advice sent out by Central.

In addition to the foregoing, Central is presently developing, particularly for Treasurers, a three-year correspondence course which will provide a degree to be recognized within the movement for those passing the course. Business English, Business Mathematics, Accounting, Law, Credit Granting,



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Counselling, Office Management, Member Relations, etc. are being dealt with in the course. It is planned that the first year material will be ready by September of this year. The course is being planned together with the B. C. Credit Union League and will tie in with their program of one-week seminars held each year at the University.



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FORM 101-1 (1-61)

ROYAL COMMISSION ON BANKING AND FINANCE

SCHEDULE 21

TO BRIEF OF B.C. CENTRAL CREDIT UNION

THE FORMS OF REPORTS REQUIRED FROM CREDIT
UNIONS SINCE THE ENACTMENT OF THE CREDIT
UNIONS ACT, 1961

B. C. CENTRAL CREDIT UNION

APPLICATION FOR LOAN

Statistical Information as at _____ 1961.

We do not require names or account numbers

Total Shares (not including Endowments) \$ _____

Individual Holdings of 5 largest shareholders (not to include Endowments)

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

* * * * *

Total Deposits (if you have them) \$ _____

Individual Holdings of 5 largest depositors (if you have deposits)

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

* * * * *

Total Loans (not including Endowment Loans) \$ _____

Individual Holdings of 5 largest loans

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

* * * * *

Reserve (or Guarantee) Fund Balance \$ _____

Total Delinquency (as required in reporting to Inspector) \$ _____

List 5 largest Delinquent Loans and report on possibility of recovery through
redemption of securities or collection action

Loan Balance	Shares	Other Security	Remarks
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CREDIT UNION

Form 101-1

Form 101-1



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SCHEDULE 31

B. C. CENTRAL CREDIT UNION
P.O. Box 2038
Vancouver 3, B. C.

QUARTERLY FINANCIAL INFORMATION RETURN.

For _____ CREDIT UNION
to _____ day of _____ 19____.

Borrowing from others (as principal or endorser)..... \$ _____

Name of Creditor _____ Balance due \$ _____

Average daily cash balance (till cash) \$ _____

Investments (Canada and B.C. Bonds and their Guarantees)..... \$ _____

If hypothecated, with whom _____

Shares (at above date) including Endowments.....\$.....

Less Endowment Loans.....\$.....

NET SHARES.....\$.....

Add Deposits.....\$.....

Surplus - Undivided.....\$.....

Current.....\$.....

TOTAL.....\$.....

MEASURE OF LIQUIDITY

8% of Net Shares.....\$.....

25% of Deposits.....\$.....

TOTAL REQUIREMENTS.....\$.....

Maximum Daily Cash on hand \$.....

Average Daily Balance -

in Chartered Bank (if any) \$.....

Investments (Canada and B.C.

Bonds and Guarantees)

(if any).....\$.....

(not hypothecated)

NET.....\$.....

Term Deposits in Central.....\$.....

Treasurer



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SCHEDULE 31 -

To be completed in duplicate - original to be filed with contract - copy to be retained.

B. C. CENTRAL CREDIT UNION
P.O. Box 2038
Vancouver 3, B. C.

FINANCIAL INFORMATION RETURN REQUIRED WITH DEPOSIT-LOAN APPLICATION

The following information is in accordance with the books of

_____ Credit Union, as at ____ day of _____ 19____
Share investment in Central \$ _____ Term Deposits in Central \$ _____
Borrowings from others (as principal or endorser)
Name of Creditor _____ Balance due \$ _____
Average daily cash balance \$ _____
Investments (Canada and B.C. Bonds and bonds guaranteed by them..... \$ _____
If hypothecated, with whom _____

Shares (at date above) including Endowments \$.....

Less Endowment Loans.....\$.....

NET SHARES.....\$.....

Add Deposits.....\$.....

Surplus - Undivided.....\$.....

Current.....\$.....

TOTAL.....\$.....

INDICATE CATEGORY OF THIS LOAN APPLICATION

25% thereof

33% thereof

50% thereof

\$.....

\$.....

\$.....

MEASURE OF LIQUIDITY RESERVE:

8% of Net Shares.....\$.....

25% of Deposits.....\$.....

TOTAL REQUIREMENT.....\$.....

Less: Maximum Daily Cash on hand \$.....

Average Daily Balance -

in Chartered Bank (if any)\$.....

Investments (Canada and B.C.

Bonds) (if any).....\$.....

(not hypothecated)

NET.....\$.....

Term Deposits in Central.....\$.....

Short of Reserve \$ _____
(Central to make required transfer)

Over in Reserves \$ _____

MEASURE OF DELINQUENCY

Delinquency measured as per Section 34 (5, 6 & 7)

of B. C. Credit Unions Act.....\$.....

Guarantee Reserve Fund.....\$.....

NET.....\$.....

5 Largest Shareholdings

5 Largest Loans

5 Largest Deposits

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

CREDIT UNION

President

Treasurer

